

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EFFECT OF INTERNAL CONTROL SYSTEMS ON PERFORMANCE OF SIC LIFE  
INSURANCE COMPANY IN GHANA**

**MSC. INSURANCE AND BUSINESS CONTINUITY**

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award of Master of Science Insurance and Business Continuity**

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## DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature.....

Date..... Name: .....

## Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the Kwame Nkrumah University for Science and Technology.

Supervisor's Signature.....

Date.....Name: .....

## ABSTRACT

The purpose of this study was to assess the effect of the Internal Control System on the performance of the SIC Life Insurance Company in Ghana. A descriptive quantitative design was used in the study to gain a better understanding of the impact of leadership on organisational performance. The sample size of the study included 65 company employees, and non-probability sampling techniques such as purposive and convenience sampling were used. Data was analyzed using Statistical Product and Service Solutions (SPSS). According to the findings of the study, SIC Life Insurance Company has an effective internal control system in

place, with well-established policies and practices that demonstrate its commitment to risk management measures. In addition, the company prioritizes policy compliance, waste prevention, fraud, and inefficiency. Internal audit has a positive impact on the efficiency of a company's internal control systems, according to the study, by identifying flaws and making recommendations for improvement. The findings emphasized the significance of risk management and the critical role of internal audits in identifying and managing risks effectively. The research found a significant positive relationship between SIC Life Insurance's performance and the state of its internal control systems, internal audit, and compliance measures. It was recommended that the company should maintain its focus on its internal control system, which has proven to be effective and critical to its long-term success. Also, SIC Life Insurance Company should continue to invest in its internal audit function, ensuring that it is adequately resourced and empowered to identify flaws and make recommendations for improvement. SIC Life Insurance Company should priorities timely payables and ensure that all transactions are carried out in accordance with applicable regulations. Furthermore, the company should place a premium on producing reliable financial statements that accurately reflect its performance.

#### **KEY WORDS**

Internal control systems

Internal Audit

Insurance companies

Performance

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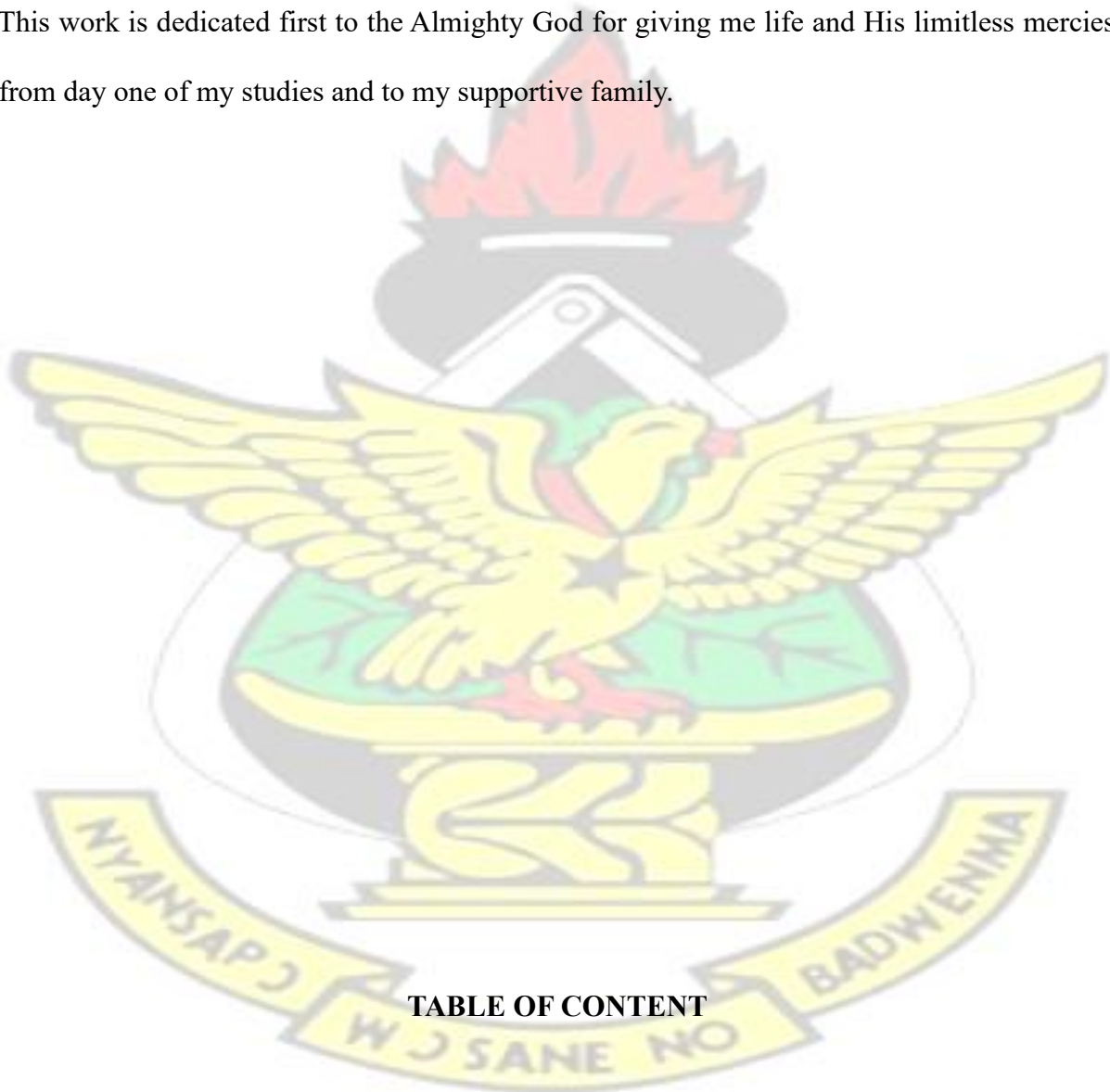
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## DEDICATION

This work is dedicated first to the Almighty God for giving me life and His limitless mercies from day one of my studies and to my supportive family.



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## LIST OF ACRONYMS

CA – Control Activities

CCC - Cash Conversion Cycle

CE – Control Environment

CEIOPS - Committee of European Insurance and Occupational Pensions Supervisors

COSO – Committee of Sponsoring Organization

FCPA - Foreign Corrupt Practices Act

FE – Fixed Effect

GRA - Ghana Revenue Authority



IA – Internal Audit

IAFs – Internal Audit Functions

IC - Information and Communication

ICER - Internal Control Effectiveness Reports

ICS – Internal Control System

IIA - Institute of Internal Auditors

IIIA - International Institute of Internal Auditors

INTOSAI - International Organisation of the Supreme Audit Institution

ISA - International Standard on Auditing

ISAP - International Standard Audit Principles

JIA - Japanese Insurance Authority

KNUST – Kwame Nkrumah University of Science and Technology

MC - Monitoring of Controls

MDDAS - Multi-Dimensional Dementia Assessment Scale

NIC - National Insurance Commission

NSE - Nigerian Stock Exchange

QAS - Quality Assurance Standard

RA – Risk Assessment

SEC - Security and Exchange Commission

SIC – State Insurance Company

SMEs – Small and Medium Enterprises

SOX - Sarbanes-Oxley Act

SPSS – Statistical Product and Service Solutions

UK - United Kingdom

USA - United States of America

WHO – World Health Organization



# CHAPTER ONE

## INTRODUCTION

### 1.0 Background of Study

It is impossible to overstate the significance of internal control systems (ICS) in realizing organizations goals (Badoo, Hammond, & Oppong, 2020). Life insurance plays a critical role in mobilizing companies' financial resources which contributes to economic growth and development. For companies to achieve their objectives, companies should implement control systems, regardless of its size or shape (Widyaningsih, 2015; Mawanda, 2008). In contrast to ineffective internal controls, which can lead to ineffective programmes and, ultimately, losses, an effective ICS is an essential part of business operations (Chebungwen & Kwasira 2014). Internal control is the designed and implementation of procedures by management, those responsible for governance, and other employees to reasonably ensure that an organisation's goals in terms of financial reporting accuracy, efficiency and effectiveness of operations and to comply with appropriate laws and regulations are achieved (Amissah, 2017). ICS ensures the security of institutional assets, to prevent their misappropriation or theft, and to identify and protect firm assets from potential fraud.

A framework has been developed for evaluating the internal control systems of organisations (COSO, 2013). With the COSO framework, well-implemented ICS facilitate reporting and produce more trustworthy reports, enhancing management's ability to hold itself accountable. The model has been widely accepted as a gold standard by scholars and practitioners to evaluate the efficacy of ICS (Badoo et al., 2020; Amissah, 2017).

Internal control is described as "a process implemented by an entity's board of directors, management, and other personnel, designed to reasonably assure the achievement of objectives in the following categories: operational effectiveness and efficiency, financial reporting

reliability, and compliance with applicable laws and regulations." A strong internal control system gives assurances to management about the dependable nature of accounting data, dispels unfounded suspicion, and aids in the maintaining adequate and trustworthy accounting records. It also aids an organisation in preventing fraud, errors, and waste, as well as strengthening asset custody (Widyaningsih, 2015).

Notwithstanding the relevance of internal audit functions (IAFs) in monitoring internal control procedures, studies on the connection between a company's IAF characteristics and ICS frequently focus only on SMEs (Oussii & Boulila, 2018). According to Lin, Pizzini, Vargus, and Bardhan (2011), the exposure of deficiencies in companies' internal controls has a negative impact on IAF activities and practices. ICS and business performance have been linked in studies (Nyakundi et al. 2014; Akimana, 2019; Alawattegama, 2018; Ejoh & Ejom, 2014). Furthermore, empirical research on financial performance and risk assessment has yet to yield definitive results. According to studies by Ghani and RosliMahmood (2015) and Alawattegama (2018), the financial performance of banks and microfinance organisations did not significantly correlate with risk assessment.

Insurance companies are established all over the world to cover losses caused by specific risk that people are exposed to and decide to insure themselves and their properties against the risk. The insurance industry faces some challenges due to the frequency of fraud and embezzlement of funds through forged claims, causing fear, anxiety, and loss of confidence among customers, insurance companies, and employees. Furthermore, weakened ICS result in significant losses. As a result, management is required to establish ICS, but these systems differ from one insurance company to the next, depending on factors such as size, operational environment, and risk tolerance.



## 1.1 Problem Statement

Insurance fraud, for example, was a major difficulty in the United States of America (USA) at the during the twenty-first century (Palasinski, 2009), with an estimated annual insurance fraud cost of US\$11 billion (Boyer, 2007; Miyazaki, 2009). Moreover, fraud is perceived as a moderately undetectable crime, making accurate assessment difficult (Derrig et al., 2006).

Internal controls aid in the prevention or reduction of fraud and other risks that could jeopardize their performance. Though there have been few studies on internal controls and performance in life insurance (Ashiagbor et al., 2020; Zimmerman, 2011), there has been little research on internal audit and inspection in protecting the assets of life insurance companies for profitability. Zimmerman (2011), for example, investigated the effects of ICS on insurance company's performance in Ghana. Similarly, Ashiagbor et al. (2020) investigated the impacts of ICS on Ghanaian life insurers' performance. The current study is distinct from these others in that it tested different variables. As a result, the research looks into the effects of ICS on the performance of SIC Life Insurance Company in Ghana.

## 1.2 Study Objectives

The main objective of the study is to investigate the effects of ICS on the performance of SIC Life Insurance Company in Ghana. To this end, the specific objectives are to:

- i. Assess the condition of ICS of SIC Life Insurance Company
- ii. Examine the function of internal audit in the ICS of SIC Life Insurance Company.
- iii. Examine the control and compliance measures of ICS of SIC Life Insurance Company
- iv. Examine the effect of ICS on the performance of SIC Life Insurance Company

### **1.3 Research Question**

The study tested the following research questions

- i. What is the condition of ICS of SIC Life Insurance Company?
- ii. What is the role of internal audit in the ICS of the SIC Life Insurance Company?
- iii. What are the control and compliance measures of ICS of the SIC Life Insurance Company?
- iv. What are the effects of ICS on the performance of SIC Life Insurance Company?

### **1.4 Significant of the Study**

The research contributes to the body of knowledge on the functions of ICS. The findings also emphasize the value of both practice and research. The findings of the study will assist SIC Life Insurance Company and other organisations in Ghana and around the world in developing internal control policies. In practice, the study's findings will provide comprehensive information about the state of ICS and the IAF of SIC Life, as well as assist management in maintaining an enhanced controlled environment by assisting internal auditors, management, and employees in creating and maintaining an environment throughout SIC life, engendering a positive attitude towards internal control, reliable management, and internal audit staff.

Academics and other researchers will also use it as literature. Academics and researchers who want to delve deeper into the subject will find this study useful.

### **1.5 Scope of the Study**

The research looks into the effects of ICS on the performance of SIC Company. It focuses on the state of ICS, the role of IAF in ICS, internal control system controls and compliance measures, and the impact of ICS on the performance of SIC Life Insurance Company. Geographically, it focuses on the SIC Life Insurance Company branch in Tamale. The study collected data from the company's employees.

## 1.6 Overview of Methodology

The study population consisted of SIC Life insurance Company employees. This population reflects the composition, relationships, and identities of individuals who have and can provide accurate information on the variables of the study (Cresswell & Cresswell, 2017). The study's sample size is one hundred and seven (107) SIC Life insurance Company employees. According to Creswell and Poth (2017), the number of participants in a quantitative study is adequate. The study employed non-probability sampling techniques such as purposive and convenience sampling (Bell, Bryman, & Harley, 2018). Purposive sampling was justified on the grounds that study participants had to meet the criteria established by the researcher.

As the study investigated respondents' experiences with the phenomenon under study, a semistructured questionnaire was the appropriate data collection instrument. The questionnaire allowed the researcher to delve deeper into issues that needed clarification. This is justified by the claim that questions generate rich data, new insights, and details because they allow respondents to describe what is significant or important to them in their own words (Creswell & Poth, 2017).

The questionnaire was designed into sections A and B. Section A comprised of demographic information such as the respondents' gender, educational level, and the number of years they had worked with the SIC. Section B of the questionnaire included questions about ICS.

Primary data are information gathered by the researcher using questionnaires as data collection tool. Majority of the data for this study were gathered through an extensive semi-structured questionnaire. Secondary sources of data for the study included published books, journals, the internet, documents, and publications on leadership and performance. The researcher was able to supplement primary data collected with secondary data gathered from other sources.

The information gathered was first transcribed and coded. For the biographical data, the coded information was keyed and analyzed by means of the Statistical Package for the Social Sciences (SPSS). As a result, descriptive statistics (frequencies and percentages) were used to describe the characteristics of respondents. Thematic analysis was used for Section B, which obtained qualitative data.

### **1.7 Study Limitations**

The study had some limitations. These constraints include respondents' reluctance to respond to questionnaire questions despite their relevance and consent from their authority. Some thought the study was done to collect data for political purposes, while others thought it was done so the researcher could make accusations. As a result of the locations covered and the time constraint, the study also faced time and budget constraints.

### **1.8 Organization of the Study**

The study is structured into five chapters. The first chapter presents the study's introduction, which includes the study's background, where the research problem is deduced, the study's research objectives, research questions, as well as the significance of the research.

The second chapter examined a review of relevant literature based on the major concepts/themes selected for the study. This chapter identified the gaps and then presented the research's conceptual/theoretical framework. The third chapter focused on the research study area, sampling procedures, and the rationale for the data collection method (data source, data collection techniques, and data collection instruments). It also looked at the study's ethical considerations. The fourth chapter focuses on research analyses, presentation, and discussion. The fifth chapter contains a summary of conclusions, and recommendations from the study findings for future improvements in ICS in order to achieve continuous and improved performance of SIC Life Insurance Company in Ghana.



# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.0 Introduction**

The chapter examines the relevant and related literature on the subject of the study. It concentrated on theories and empirical literatures concerning the state of ICS (ICS), the role of internal audit, controls, and ICS compliance measures. A conceptual framework was developed to investigate the effects of ICS on the performance of SIC company employees.

### **2.1 Theoretical Framework**

This section focuses on theories related to ICS and internal auditing. It focused on agency theory and institutional theory in particular.

#### **2.1.1 Agency Theory**

According to this theory, there is a loss of value when someone acts as an agent for another. This situation arises in business when owners (shareholders) engage or hire management or employees (agents) and delegate authority to them to complete financial tasks on their behalf in exchange for financial compensation. Delegating such responsibilities to agents implies that the owners have put their trust in the agent to act in their best interests, but agents frequently have competing interests for their principal. Because of these competing motivations, the agents may make decisions that are detrimental to their principal.

Because of the incentive bias in information flows, the agent will make such a decision. This asymmetry not only affects the principal's ability to obtain all available information when the agents make the decision, but also to effectively monitor to determine if their interests are being served in the process. Given that agents desire more wealth, they appear to satisfy their selfish motives by seizing opportunities to take decisions that are not in the interest of organizations' principles by consuming excessive perquisites (perks), which are costs to the employers, and

any decisions made by the agent that result in a loss or foregone benefits to employers represent agency costs.

In this case, the principal must choose between paying for the agent's behaviour monitoring and losing wealth value due to management decisions. However, the principle may designate a different party (other agents) to act as a monitoring mechanism to support the interests of agents and principals, allowing principals to assess and manage their agents' behaviour and increasing trust in agents. The basic premise of information asymmetries serves as the foundation to investigate the connection between ICS and the effectiveness of the State Insurance Company (SIC).

Managers of SIC who exhibit similar opportunistic behaviour are more likely to circumvent ICS designed to ensure effective use of resources in order to gain benefits at the expense of their employers' interests, thereby affecting the financial performance of these institutions. It is not surprising that the financial performance of Ghana's public sector organisations has become a major source of concern. According to the Auditor-General's reports, MDDAs have numerous financial irregularities. The 2020 Auditor-General's reports, for example, identified cash, procurement and Stores contracts, payroll stationer Statutory Tax and Pension Deductions as financial irregularities within the MDDAs, resulting in massive losses. The report attributed these financial practices to weaknesses in these institutions' internal controls.

The implicit belief underlying this relationship and assumption of information asymmetry is that managers' opportunistic behaviour will harm the financial performance of Ghana's state institutions. According to some studies that support this viewpoint and relationship, organisations with weak ICS are more likely to have poor financial performance. As a result, the 2020 Auditor-General's reports suggested that strengthening internal controls and strict

adherence by managers to these will improve financial management practice and thus prevent further infractions within MDDAs.

In light of this suggestion, internal audit may play a role in acting as a checking mechanism to balance the interests of agents and principals. This is done so that internal audit functions can ensure that internal controls are followed and responsible resource management is practiced. It is accomplished by subjecting managers' work and the information they provide to their employers to independent oversight (principals). These positions enable principals to monitor and supervise their agents' behaviour, resolving conflicts of interest between management and the principal (employer). Internal controls are thus expected to improve the economic performance of the organisation. Prior research suggests that firms with strong ICS perform well financially.

### **2.1.2 Institutional Theory**

The central idea of this theory is that social norms have a systemic influence on how businesses are structured and run. External sources of these stresses include the professional community and governmental rules (Zucker, 1987; Mihret et al., 2010). External circumstances play a vital role in shaping the behavioural component of institutionalization (Lang, 2018). This aspect of behaviour coordinates the upholding of shared norms and standards in support of the goals or concerns of specific groups or actors (Oliver, 1991).

DiMaggio and Powel (1991) coined the term isomorphism to describe this phenomenon, which has been further subdivided into three types: coercive isomorphism (pressure to conform to laws and regulations), mimetic isomorphism (pressure to adopt practices or actions similar to those of other organisations), and normative isomorphism; pressure to adopt standards in order to obtain certification from consultative or professional bodies; Arena & Azzone (2007).

As a result of institutionalization, best practices become more consistent (Dacin et al., 2002; Oliver, 1991). Institutional theory provides the foundation for explaining how the IAF affects the functioning of SIC in Ghana through coercive isomorphism and normative isomorphism. Failure to follow internal control measures has harmed the performance of these public sectors. As a result, there have been numerous instances of financial mismanagement, including theft and waste.

The primary responsibility of Internal Audit (IA) is to identify and implement solutions to such problems. As a result, government employed a large number of the internal auditors thus emphasizing the relevance of internal auditing. Better ICS and improved performance are thought to be achievable through the efficient implementation of internal audit functions in various industries, which is not surprising given the importance of IA procedures.

An institutional framework has been used in a number of past studies in the field of internal audit (Al-Twaijry et al., 2003; Mihret et al., 2010). Al-Twaijry et al. (2003) used an isomorphic approach to conduct research on internal audits in Saudi Arabia and referred to institutional theory and the role of the government in this area to explain their findings. According to their findings, the demand for internal auditing procedures came from peers, supervisors, and the general public.

## **2.2. Empirical Review**

This section looks at previous research on the topic under consideration. It focused primarily on three key areas: the state of ICS and performance, the impact of ICS on performance, and controls and compliance measures that affect profitability.



## **2.2.1 Condition of Internal Control Systems (ICS) and Performance**

### **2.2.1.1 Control Environment (CE)**

Control environment (CE), according to AlTaaie (2021), is fundamental to ICS and begins the process of influencing the control consciousness of an organization's entire staff. According to Al-Tanbur (2020), CE is the organisational members' style, philosophy, and attitude, as well as their ethical values, competence, morale, and integrity.

The control environment, according to the descriptions above, refers to the management and other key personnel who make decisions that reflect the organization's philosophy and style. Similarly, the above-mentioned control environment is influenced by organisational culture and has an impact on how an organization's activities are structured (Ndugu, 2013). To accomplish the goals of organisations, management, the board of directors, and other crucial personnel must act ethically and with integrity (Zalata et al., 2018).

The CE according to the control system literature, consists of key dimensions. The number of these dimensions, on the other hand, is debatable. For example, Gyasi (2013) operationalizes the CE and limits it to three dimensions: the directors' and management's philosophy and operating style, the entity's organisational structure and methods of assigning authority and responsibility, and the directors' methods of imposing control, including the IAF.

Surbakti et al. (2017) define integrity and ethical values as a board strategy that involves setting examples of ethical behaviour which will serve as a standard measure throughout the organisation. This dimension, according to Adams and Zhou (2018), evaluates the existing ethical standards and processes and encourages employees to perform their responsibilities honestly.

The accountability dimension of CE denotes how far organisations go to implement policies and procedures that keep accountable for their ICS responsibilities (COSO, 2011).

Accountability is important for reducing resource waste and controlling a sense of entitlement among organisation members (COSO, 2013). As a result, Gyasi (2013) observes that in environments with high ICS, organisations can achieve favorable performance, which increases commitment and growth.

#### **2.2.1.2 Risk Assessment (RA)**

Anh, Thi, Quang, and Thi (2020) define risk assessment as identifying and analysing significant risks when preparing financial statements. Risk assessment describes the identification of the processes and the evaluation of threats to the achievement of an organizations' goals (Theofanis et al., 2011). RA according to Kaplan (2013), must be systematic and integrated into an entity's procedures and operations. Controllable risks can be minimized or eliminated through internal procedures, while uncontrollable risks emanate from the environment in which organisations operate and they cannot be minimized (Davies & Aston, 2010).

Although internal control experts consider various aspects of the RA process, there is no universally accepted measure of the various dimensions. Specifying objectives entails clearly indicating the objectives of organisations so that risks associated with the objectives can be assessed in detail (COSO, 2013; WHO, 2013). Furthermore, risk identification and prioritization entails categorizing and analyzing risks across an organisation in order to determine the nature of risk response. Change management is the process by which management ensures continuous improvements and request for inputs and feedback on the consequences of major changes (Moeller, 2013). The final step is to assess the risk's potential implications, which will inform management on how to manage the risk in accordance with acceptable standards.

#### **2.2.1.3 Control Activity (CA)**

The Committee of European Insurance and Occupational Pensions Supervisors [CEIOPS] (2003) describes control activities (CA) as "measures that help ensure that necessary actions are taken to address risks to the achievement of an entity's objectives." CEIOPS defines CA as policies governing underwriting policies, meeting solvency requirements, and information systems. CA according to Kaplan (2013), include procedures, policies, and systems that ensure management directives and financial reporting controls are followed.

CA comprised of policies and procedures, according to a critical examination of the preceding explanations. Arwing (2013) argues that CA dimensions can be classified as preventive, detective, or a combination of the two. COSO (2013) defines CA dimensions as the selection and development of CA over technology, policies, and procedures. The development of controls to ensure the integrity of information systems is one of the general technology control activities. Written policies and procedures that establish what an organisation expects from its employees (Moeller, 2013; Shim, 2011) are referred to as policies and procedures. This means that when a company incorporates strong control activities into its business processes, its performance improves.

#### **2.2.1.4 Information and Communication (IC)**

Organisations use communication systems to communicate critical information, directives, and policies (Kabuye, Kato, Akugizibwe, & Bugambiro, 2019). More importantly, communication systems must be effective in allowing the flow of information throughout the organisation by identifying, capturing, and transmitting relevant information to responsible parties at the appropriate time so that appropriate action can be taken. Similarly, Noel (2010) asserts in a previous contribution that the information and communication systems that surround the activities of the control environment enable the organization's people to pick up and exchange the information required to control, manage, and conduct its operations. According to CEIOPS



(2003), organisations can ensure that insurance is successfully undertaken if information is accurate, relevant, and reliable for accounting systems to properly identify, assemble, analyse, classify, record, and report the entity's transactions. The board of directors and management can assess the effectiveness of internal controls based on the response to this communication (Chalmers, Hay, & Khlif, 2019).

#### **2.2.1.5 Monitoring of Controls (MC)**

Monitoring is the ICS's final component. Regularly monitoring the effectiveness of any comprehensive system of internal controls to determine if the systems are properly designed and functioning is a critical aspect of any comprehensive system of internal controls (Teye et al., 2023). Monitoring is defined as the examination of an organization's activities and transactions in order to assess the quality of performance over time and determine the effectiveness of control systems (DiNapoli, 2007). Monitoring, according to Saiyor (2010), is the process of evaluating the quality of an ICS's performance over time. Shim (2011) mentions ongoing monitoring and separate evaluations by internal auditors as monitoring constructs.

Monitoring dimensions, on the other hand, are defined by COSO (2011) as ongoing and separate evaluations, reporting of deficiencies, and implementing corrective measures. According to Arwinge (2013) and Johnstone, Gramling, and Rittenbergs (2013), ongoing monitoring and evaluations are typically incorporated into organisations' recurring activities, which include routine management checks to determine the effectiveness of control procedures. According to the preceding discussion, the goal of ICS monitoring is to ensure that systems are properly designed and function properly (Teye et al., 2023).

This means that organisations must regularly assess the design and operation of controls to determine whether the internal control components are effective in mitigating relevant risk to an acceptable level. Various researchers used various methods to assess the impact of ICS on



organisational performance in the literature. Other researchers use dichotomous scales to assess the impact of ICS on performance (Yesinia, Yuliarti, & Puspitasari, 2018), while others use Likert scales. Despite the fact that the Likert scale has been used by many authors, the points on the scale and the number of items on the instrument vary greatly. Some people rate themselves on a 5-point scale, while others rate themselves on a 4-point or 3-point scale (Muraleetharan, 2011; Siayor, 2010).

### **2.3. Role of Internal Audit (IA) on the ICS**

The recent rapid growth of business, technology, and industry, as well as the risk and complexity of information and data management, have created a number of new challenges for businesses worldwide. As a result of these changes, the risks to the organisation or firm have significantly increased, particularly the possibility of fraud (Hardiningsih, Udin, Masdjojo, & Srimindarti, 2020). To reduce potential fraud risks, the company is now more aware of the need for a proactive fraud prevention and detection strategy (Zahra, 2021, p.102). During the previous ten years, financial statement fraud has been prevalent (Hussein & Mahmood: 2021). As a result of FSF, all market participants, including creditors, employees, and investors, suffer massive losses. According to Hussein et al. (2020), estimate that this expenditure has surpassed US \$ 500 billion over the last few years.

Explain fraud. Keller and Owens (2015) classify internal and external fraud into different categories. Internal fraud is committed by insiders, such as employees and directors. External fraud is committed by suppliers and other third parties. There are two types of internal fraud, including:

- a. Misappropriation of assets, to start
- b. The falsification of financial statements

Falsifying journal entries and misusing authorization managers who have access to account information systems' journal entries are both forms of financial statement fraud (Debreceeny & Grey, 2010).

Financial statement fraud, according to Hardiningsih, Udin, Masdjojo, and Srimindarti (2020), is the deliberate attempt by businesses to deceive or mislead readers of published financial statements, particularly investors and creditors, through the preparation and distribution of financial statements that contain significant omissions. Examples include excessive accruals, unsatisfactory revenue recognition, and unnatural costs of capitalization.

Both internal and external auditor responsibilities are quite important. Internal auditors are the first line of defense against fraud as they are familiar with and knowledgeable about the company environment and internal controls. Internal auditors may take on a number of roles in the prevention and detection of fraud within the company, depending on the direction adopted by management, the board, or the audit committee. Though the external auditor's function is to provide opinion on the fairness of the financial statements, users of the audited financial statements often expect that the external auditors will uncover fraud in the financial accounts.

A written and online survey that looked into how internal audit and ICS affect accounting fraud was carried out on the three largest banks in Indonesia in Tangerang and Jakarta. The gathered quantitative data will be assessed using statistical software and a multiple regression analysis strategy. The purpose of this study is to ascertain whether internal auditing and efficient internal control mechanisms can reduce the possibility of accounting fraud. The findings of this study will provide additional details regarding how internal audit and a robust internal control system may reduce the likelihood of accounting fraud. In order to reduce accounting fraud in the banking sector, the study's findings have consequences for how the company's management should move forward with strengthening its ICS and internal audit process.

Internal auditors are the first line of defense against fraud due to their knowledge, expertise, and understanding of the organizational environment and internal controls. Internal auditors deal with issues that are essential to the success and continuous existence of any company. They consider aspects of the company's overall reputation, growth, impact on the environment, and treatment of its employees in addition to risks and financial statements, unlike external auditors.

In conclusion, internal auditors support business success. In order to do this, certitude and consulting are combined. The guarantee element of an internal auditor's duty involves managers and governors who are knowledgeable with the processes and practices designed to keep the organization running.

After that, the internal auditor offers advisory services to improve the required systems and processes. Aiming to provide value and improve an organization's operations, internal audit is described by Association Internal Auditor (Institute of Internal Auditors - IIA), which Messier (2005, p.514) quotes. The internal audit helps a business achieve its objectives by employing a methodical and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance systems.

Internal auditing is intended to help staff members do their jobs more effectively. Employees of internal audit are expected to offer analysis, evaluation, advice, consultation, and information on the activities that may be researched in order to achieve these aims. The balanced scorecard can be used to assess internal audit performance in the following categories, per Kaplan and Norton's recommendations:

1. Internal process audits,
2. Innovation and learning,



3. Management, and audits
4. Board and Audit Committee

#### **2.4. Control and Compliance Measure**

The Sarbanes-Oxley Act of 2002 and the Foreign Corrupt Practises Act (FCPA) are examples of compliance laws enacted by the United States Congress. Both regulations have the potential to improve corporate practises (Novak, 2014). The compliance and enforcement-focused Sarbanes-Oxley Act of 2002 incorporated internal control as a risk management strategy (Novak, 2014). Both small and large retail businesses must comply with the Sarbanes-Oxley Act of 2002. The law's main objective was to require or compel firms to report the efficacy of their internal controls. Internal auditors were mandated by the Sarbanes-Oxley Act of 2002 to accurately report audit findings in order to increase the value of the information provided for consumers (Mukhina, 2014). Customers, owners, and managers of retail businesses in Hampton Roads, Virginia's Norfolk and Virginia Beach, were among those who used the audit information. Globally, some of these businesses may be susceptible to the advantages of the law and may already have effective ICS in place (Moldof, 2014). One crucial aspect of business was adherence to laws and regulations. Recognizing the value of rules and compliance requirements for business success tends to increase their position as crucial internal control components. The focus also aided in deciding how the law and regulations should be used, formalized, and logically modelled. Businesses will have less trouble following the law and using it to further their goals if it is improved (Mukhina, 2014).

A study looked at auditors' observation and upkeep of a quality assurance standard as well as quality assurance in audit activity (Fries et al., 2021). According to reports, when business organisation executives adopt the quality assurance standard (QAS), the operation becomes successful and efficient (Alam et al., 2019). According to Santanu et al. (2013), quality financial statements and records were produced by auditor compliance with quality standards, citing



legislation like Sarbanes-Oxley and the Foreign Corrupt Practises Act (FCPA). Business executives are successful and profitable when they follow laws and regulations. Compliance with standards and rules has advantages since it relieves businesses of unneeded anxiety and concern (Santanu et al., 2013). Compliance with legal norms and laws is part of excellent business practise. Due to the potential for increased revenue, managers and owners of retail businesses, particularly those in Norfolk and Virginia Beach on the Hampton Roads, are urged to adhere to and establish company policies. Observing business norms and rules can help businesses achieve their goals for expansion, profitability, and other factors (Santanu et al., 2013).

Akande (2019), in a study on business practice strategy, looked at how following the law helps firms expand and sustain themselves. The investigation was centred on auditor attestations by Akande (2019). Akande (2019) stated that the goal was to ascertain whether a large or small retail organization reported internal control weaknesses or not. Organisations are required to submit their Internal Control Effectiveness Reports (ICER) under the Sarbanes-Oxley Act of 2002. To demonstrate how internal controls affect business operations and subsequent financial reports, ICER was filed. The Security and Exchange Commission (SEC) was a federal regulatory agency in charge of regulating financial transactions. In order to give auditors time to prepare reports for such conformity with the law, the SEC regulatory policy occasionally permits delays for auditor attestations for non-accelerated filers (Stone, 2016). However, this delay does not exclude retail enterprises from following the rules.

Non-accelerated filers were excused from an auditor attestation under the Frank Dodd Act of 2010. The study's most important findings demonstrated how retail businesses profit from auditor attestations since they boost sales (Stone, 2016). The cost of inspection is enhanced by audit attestation, and these expenses have increased significantly as a result of the

SarbanesOxley Act's additional burden. Because Sarbanes-Oxley demands compliance from both the auditor and the business, corporations are forced to engage more auditors, which drives up their expenses even more (Stone, 2016). Businesses profit from compliance because it encourages operational flexibility, effectiveness, and reduced environmental complexity. For retail businesses in Norfolk and Virginia Beach, the potential advantages are sufficient justifications for implementing compliance procedures.

According to a claim made in some nations, adherence to the quality assurance standard is not crucial. The International Institute of Internal Auditors (IIA) and the International Standard on Auditing (ISA) came up with the quality assurance standard (Foster & Shastri, 2013). Researchers looked into why certain foreign auditors failed to follow or comply with the quality assurance standard (QAS) guidelines due to a lack of compliance with the standard (Foster & Shastri, 2013). The implications of such standards and regulations non-compliance on the side of Kenyan auditors were harmful to company practises (Siyambola, 2013). When businesses fail to publish a commercial activity, or the failure of auditors to adhere to the quality assurance standard may result from their ignorance of the standards. Non-members of the institute of internal auditors may believe that the regulations are not legally binding. Noncompliance with international standard audit principles (ISAP) may occur for a variety of reasons, including a lack of legal enforcement. Noncompliance could hurt business practises in general as well as the operations of retail companies. Companies and auditors must refrain from breaking any of the international auditing authority's practise standards. Businesses will have the instruments needed to improve internal control, provide value to an operation, and accomplish organisational goals, therefore compliance with the quality standard was essential (Morf et al., 2013).

Businesses are compelled to abide by SOX 404 of the Sarbanes-Oxley Act of 2002 for a variety of reasons (Beets, Lewis, & Brower, 2016). Business managers and executives are required by SOX 404 to assist auditors in the gathering and reporting of their internal control effectiveness. A focal examination point was statements made by businesses with a history of internal control deficiencies to ascertain the justification for their willingness to disclose material weaknesses (Beets et al., 2016). Analysis of the compliance issue revealed some of the driving forces behind desire and reluctance to disclose, as well as some repercussions for failure to do so. There are severe penalties and punishments, such as fines, for failure to report. To simplify the process of borrowing money or recruiting finance for expansion in order to satisfy another financial obligation may be the justification for the willingness to report (Beets et al., 2016).

Another justification for disclosing material internal control weaknesses was that doing so might endanger auditors. Such an event may be in breach of SOX 404, which calls for auditors to report on the efficacy of internal controls in place at the company. Managers' perception that the regulation makes it harder for their company to raise capital is another reason why corporations don't follow the SOX 404's requirements. Managers believe the regulation prevents investors from receiving correct information they need to make wise investment decisions (Beets et al., 2016). Retail businesses can gain from adhering to the necessary laws and regulations.

## **2.5. Effect of Internal Control Systems (ICS) on Performance**

There are currently published works that concentrate on internal control or business performance. For instance, Mbilla, Nyeadi, Gbegble, and Ayimpoya (2020) recently looked into how ICS affected the financial performance of Ghana's listed banks. 300 representatives from the twelve listed banks participated in this survey. On the field data, descriptive and regression analysis was done. The study's findings indicate that communication and



information have a marginally significant impact on financial performance. The connection between monitoring and financial performance was insignificant. In order to increase performance, the report advises management of listed Banks to spend more on information and communication.

When it comes to strengthening ICS in financial institutions, particularly rural banks, Ibrahim, Jianguo, Jaladi, Lartey, and Amponsah (2019) discuss the elements that influence the board's behaviour. The study's findings offered solid proof that internal audit, outside consulting, and the audit committee are the main factors influencing internal control and sound governance.

Agbenyo, Jiang, and Cobblah (2018) used the Ghana Revenue Authority (GRA) as a case study to explore the effect of governmental ICS on the calibre of financial reporting in Ghana. The study specifically aimed to investigate the nature and standard of financial reporting in the GRA and to evaluate how internal control mechanisms in government affect the calibre of financial reporting. The study's sample size of fifty (50) people was chosen using both quota and simple random selection procedures. A positive association between internal control procedures utilised by the government and the calibre of financial reporting was found using the correlation matrix.

The study discovered that, while statistically significant, monitoring as a component of an internal control system has a detrimental effect on financial quality reporting. The study also showed that the quality of GRA's financial reporting will enhance with a unit increase in collection performance. The research suggested that the government make sure that the internal control system is inspected and assessed on a regular basis.

Inusah and Abdulai (2015) evaluated the lands commission of Ghana's internal controls in a study. The study uses the commission officials in Ghana's Northern region as its population and applies a case study methodology. The simple random mixed with purposive selection



technique was used to select a sample of 30 commission officials for the study. Utilising surveys, interviews, and a review of the literature, both primary and secondary data are employed. It was discovered that the industry needs a lot of work to achieve solid financial management because the current controls are insufficient. The internal audit role should also be evaluated by decentralising to guarantee that financial controls are enhanced and implemented with authority and commitment.

Additionally, utilising COSO's integrated framework and attributes of assessing ICS, Ayagre, Appiah-Gyamereh, and Nartey (2014) evaluated the control environment and monitoring activities components of ICS of Ghanaian banks. The study discovered that the monitoring activities and control environment components of the ICS of Ghanaian banks have robust controls. The report advised Ghanaian bank boards to take the findings seriously and work hard to maintain continuing, separate internal control monitoring to make sure that measures are actually in place and are operating as intended.

The impact of ICS on the financial performance of Kenyan sugarcane outgrower enterprises was examined by Mwakimasinde, Odhiambo, and Byaruhanga in 2014. They only used a small portion of the COSO framework's overall component. This could lead to a conceptual chasm. The study concentrated on sugarcane out grower companies rather than life insurance companies, therefore there is once more a contextual gap.

In a related study, Mugo (2013) investigated the impact of internal control procedures on technical training institutes and found a strong relationship between financial success and ICS.

According to Ayom (2013), ICS have an impact on output. Ayom (2013) used data from nongovernmental organisations in Uganda to reach the conclusion that installation of ICS should be examined on a regular basis to ensure high levels of performance of the organisation

since it has a positive association to such performance. On a related topic, the study indicated that strong ICS can reduce fraud.

Oyeka, Nnado, and Iroegbu (2017) looked at the connection between cash (including liquid alternatives) and profitability of companies that are listed on the Nigerian Stock Exchange's industrial sector. The impact of cash and cash equivalents on the dependent variable was assessed ex post using a quantitative panel methodology. For the fifteen-year period 2003–2017, data were compiled from the audited annual reports of 36 manufacturing companies listed on the Nigerian Stock Exchange. The data were put through diagnostic tests utilizing the Levin-Lin-Chu panel unit-root test, which established that the data were stationary, and the Wasteland Panel Integration Tests, which showed that the variables were not integrated over the long term. Additionally, the Hausman test supported the Fixed Effects (FE) multiple regression model's appropriateness and consistency. The tested hypotheses implied that cash and cash equivalents had a sizable beneficial impact on the selected enterprises' return on assets. These findings suggest that in order to maximise company profits, the optimal liquidityprofitability trade-offs must be achieved; otherwise, businesses that maintain insufficient liquid assets may be compelled to borrow money from external sources at excessive rates or lose their liquidity. The study agreed that adequate cash reserves have a major impact on the profitability of Nigerian manufacturing enterprises.

Abioro (2013) investigated the connection between Nigerian manufacturing companies' performance and cash management. The study only looked into Cadbury Nigeria Plc, using descriptive survey methods. When gathering data, both secondary and primary sources are used. The complete case study staff makes up the study population. To choose 100 participants, the study used a judgemental sampling technique. Only 45 structured questions were found to be useful for data collection and analysis. The study's 10-year time frame was from 2002 to

2011. It was shown that the firm's decision about short-term finances and investments, its choice of collecting and distribution methods, its cash forecasting strategy, and its investment culture with relation to idle cash all play a role in effective cash management. Furthermore, the study asserted that, when subjected to Pearson's correlations, there is a statistically significant association between the major variables of cash management and business performances.

Owolabi and Obida (2012) looked at the profitability and liquidity management of 12 manufacturing companies listed on the NSE over a five-year period from 2005 to 2009. The annual reports of the sampled firms are mined for pertinent information. The study revealed substantial correlations between the independent variables: credit policies, cash flow management, and cash conversion cycle; and the dependent variable: company profitability; using descriptive statistics, including measures of dispersion and central tendency; and accounting ratios. They discovered, specifically, that nine out of the twelve enterprises showed a significant level of positive liquidity management, and consequently, a clear connection between profitability and liquidity management. As substitutes for liquidity, the study used CCC, cash flow management, and credit policies.

Egbide, Uwuigbe, and Uwalomwa (2013) used a sample of 30 companies listed on the Nigerian Stock Exchange (NSE) to research the effect of liquidity management on the profitability of manufacturing enterprises. Purposive sampling was used in the study to gather data and information from the yearly financial reports of the sampled companies over the five-year period from 2006 to 2010. The methodology substantially drew from the strategy utilised in earlier studies, such as Eljelly's (2007). The alignment of partial correlation and regression analysis results showed that there is no statistically significant association between the profitability of Nigerian manufacturing enterprises and liquidity management.



Being that almost all of the aforementioned studies were not conducted from the perspective of the insurance industry, their results may not be entirely applicable to the Ghanaian jurisdiction and context, there is an urgent need to conduct the current study.

## **2.6 Corporate Governance and Internal Control Systems (ICS)**

Corporate performance effectiveness has been linked in several studies to the human component of an organisation (Amba, 2014). The best resources an organisation can have are its people. All organisational activities are performed by people, hence this idea might be used anywhere. Both large and small retail businesses, such as Walmart, Southland Corporation (711), and One-Stops, have human management, such as executives, managers, and owners or shareholders. Decision-makers for their organisations include owners, managers, and shareholders. Determination, design, execution, resources, and assets are all responsibilities that encourage adherence to laws and regulations. The choices increased the organisations' capacity for growth, profitability, and sustainability (Amba, 2014; Morf, Flesher, Hayek, Pane, & Hayek, 2013).

According to organisational leadership theory, a study by Kabue and Aduda (2017) looked at the significance of ICS in businesses and organisations. According to Kabue and Aduda (2017), the right business process acknowledges that management is responsible for all decisions relating to how any organisation manages its activities. Any choice made based on factors like costs and effects may be overruled by management. The awareness that internal control was a crucial corporate governance tool was the significance of the organisational leadership idea (Kabue & Aduda, 2017). When effective, an ICS can affect a company's financial dependability and efficiency. Internal controls are another tool used by managers to assess risk effectiveness, which helps organisations update policies, raise bar of performance, and ensure quality



compliance. Internal control relevance to every organisation emphasises organisational objectives relevant to both retail organisations as well as functionality (Kabue & Aduda, 2017).

Internal auditors are responsible for overseeing organisational accountability, structure, and management effectiveness, whether through delegation or assignment (Liu, 2013). Financial reporting, the efficacy of ICS, and corporate governance are among the organisational tasks that internal auditors examine and report on. Management can achieve its goals by ensuring that the components of internal control, risk management, and corporate governance are effective through an internal audit.

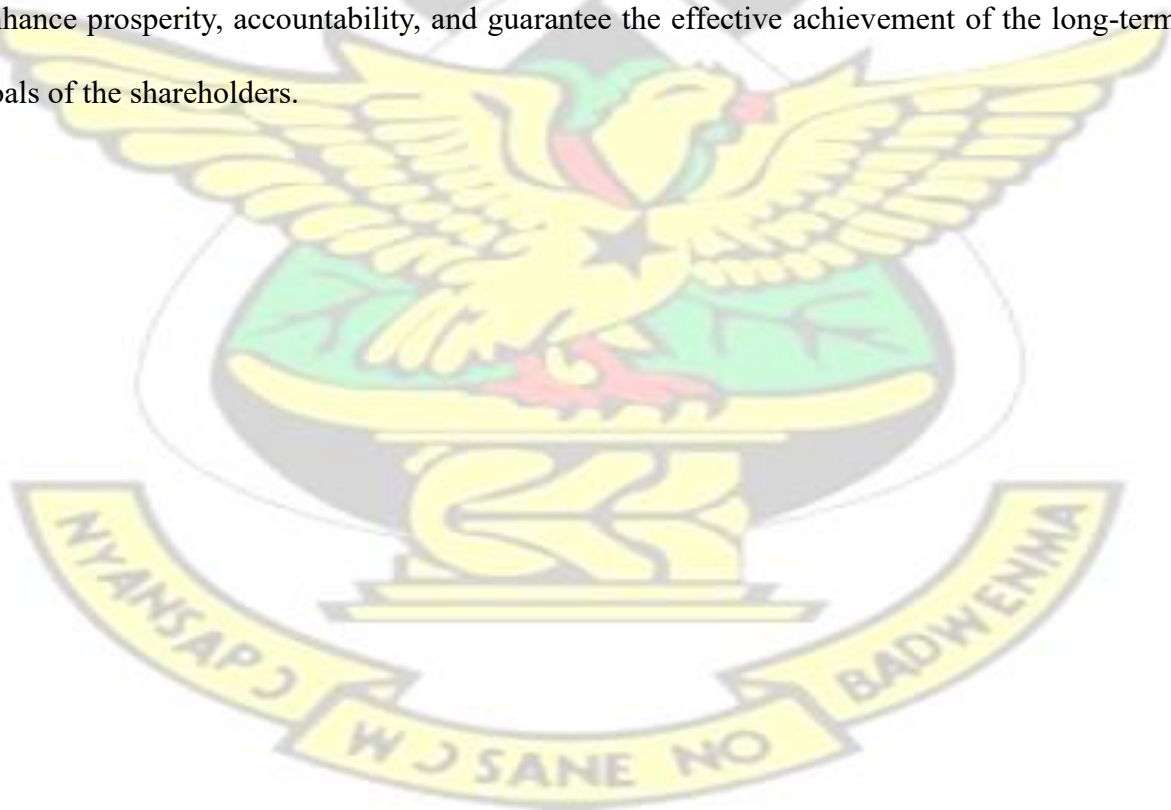
A thorough explanation was offered by a study of how corporate governance structures affect internal control disclosure in both large and small retail organisations (Carol, 2015). In order to prove the theory that internal control is influenced by corporate governance structure, 1309 non-financial Chinese listed companies were examined. The study's findings indicated that three key variables had a beneficial impact on internal control disclosures (Carol, 2015). The elements included management decisions, reporting accuracy, and appropriate timing. The maintenance of an effective and efficient internal control system required adherence to these factors. The issue was that most retail businesses had sufficient internal controls (Carol, 2015).

Internal corporate governance controls are employed to monitor activities and offer the necessary corrective measures to guarantee that the goals of the company are achieved. The board of directors, for instance, is regarded as a CG monitoring mechanism in all organisations to improve the enterprise performance as it offers expert advice, brings knowledge, skills, and experience, serves as a safeguard, and monitors management to achieve the firm's goals (Chou & Buchdadi, 2017; Jangu et al., 2014; Naciti, 2019). The board of directors' primary responsibility is to provide the company with effective leadership, guidance, support, and

assistance and to attest to the thorough implementation of the firm's priorities, policies, and regulations (Müller, 2014).

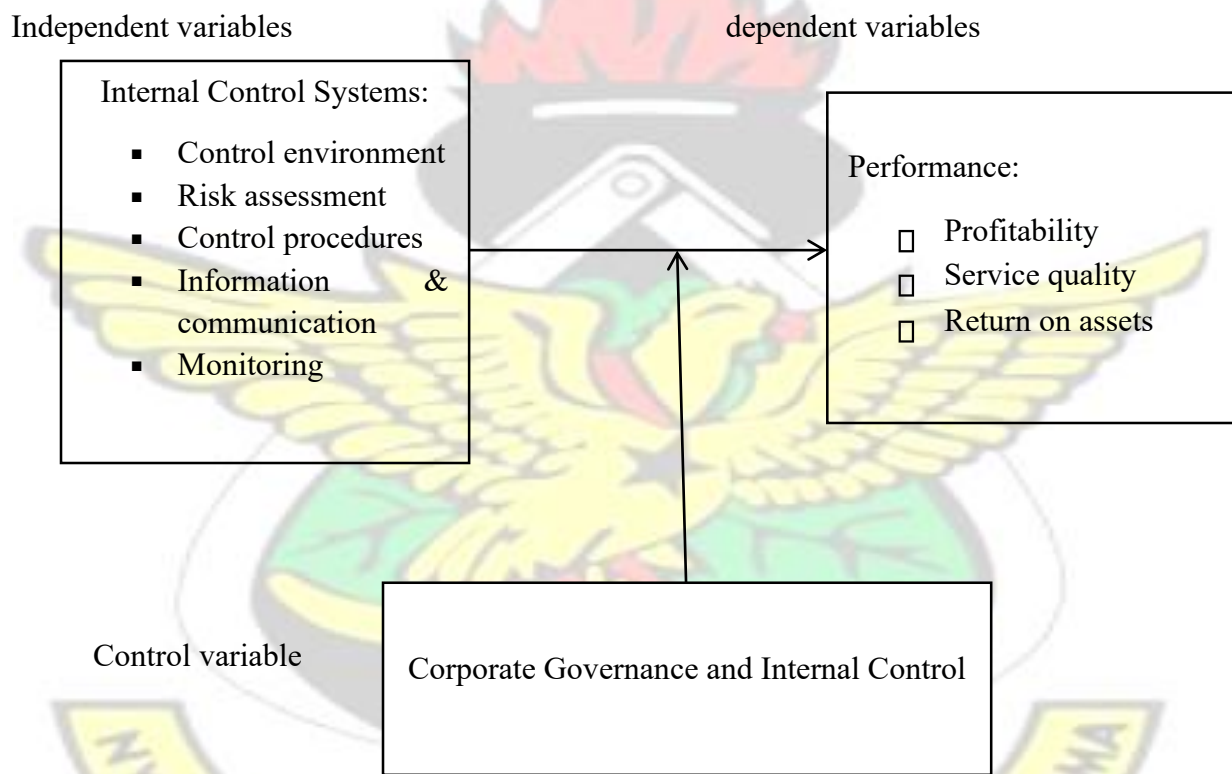
The members of the audit committee collaborate closely with the CG to prevent potential financial reporting frauds and errors, maintain and safeguard the interests of shareholders, and safeguard equity. The audit committee's role as a CG monitor requires it to provide the public with accurate, whole, correct, and consistent information and to allow no room for assumptions or unwarranted expectations. The competence, composition, knowledge, and independence of the audit committee are closely correlated with the firm's CG (Arora & Sharma, 2016; Danoshana & Ravivathani, 2019; Müller, 2014).

According to Herath and Freeman (2012), inadequate internal controls are to blame for business failure. Briefly stated, the CG and internal controls work to manage corporate operations, enhance prosperity, accountability, and guarantee the effective achievement of the long-term goals of the shareholders.



## 2.7. Conceptual Framework

The underpinning conceptual framework for this study was developed with ICS examined relevant literature that was used for this study's objectives in mind. Based on the COSO model, the study employs ICS as independent variables, such as the control environment, risk assessment process, control activities, information and communication, and control monitoring. Growth, resource use, service quality, innovation, and return on assets are chosen as performance dependent variables to see if internal control mechanisms affect how well SIC life performs.



*Source: Researcher's construct 2022*

## CHAPTER THREE

## **RESEARCH METHODOLOGY**

### **3.0 Introduction**

The chapter describes the many strategies and techniques the researcher used to complete the investigation. It specifically focused on the study's population, sampling technique, data collection tool, and the tool's validity and reliability. Other factors include the method used for gathering data, how that data is processed, and how it is analyzed.

### **3.1 Research Design**

According to Sekaran and Bougie (2013), Kothari (2011), Cooper & Schindler (2014), and other authors, a research design shows the detailed, step-by-step plan of action that the researcher used to conduct the study. A research design is often referred to as a blueprint that specifies the layout of the study and attests to how the objectives were satisfied throughout, according to Saunders, Lewis, and Thornhill (2014). In order to ascertain the strength of relationships between variables, the study used a descriptive research approach, which comprises gathering and analysing data from study units at a specified period (Saunders et al., 2014). Additionally, it accurately and methodically describes the traits of a certain population (Sekaran & Bougie, 2013). A research design is the general strategy for determining the answers to the research questions as well as how to deal with challenges that may arise in the course of the work (Polit & Beck, 2004). Research plans are created to help achieve the needs of the research. They also suggested that selecting a good research design should be influenced by a general factor, specifically whether the design does the best job it can at producing reliable responses to the research topic. Descriptive survey design was thought to be the best research strategy for the study. The term "survey" is used to describe any research activity in which the researcher collects data from a subset of a community with the purpose to examine the traits, viewpoints, or intentions of that population (Clark and Creswell, 2008). To choose the research



approach to achieve research objectives, the researcher takes into account the survey's strengths and weaknesses.

### 3.2 Population of the Study

A population is defined as an absolute category of people, events, or objects that exhibit comparable behaviour and adhere to a specified description (Cooper and Schindler, 2013). The SIC Life insurance Company in Ghana is the target market. This includes SIC management, senior staff, and entry-level workers. There are 123 subjects in the study, or the population.

### 3.3 Sampling Technique and Sample Size

Sampling involves the process of taking subsets of subjects that are representatives of the entire study population (Catillo, 2009). This is an indication that the sample size for research must be statistically significant for the analysis. Taking a sample to represent the population is essential in research because the researcher cannot include all the respondents in the research. The respondents of the study were drawn from the staff of SIC across the ten of the sixteen regional offices of SIC life. The sample size of the study was sixty four (64). The size of the respondents was determined using de Vaus (2002)'s formula as displayed below. This helped the researchers to determine sample size from each category of the respondents. The formula:

$$n = \frac{N}{1 + N \cdot a}$$

Where n is the sample size, N is the population universe and “a” is the confidence level to the above formula. The calculation used a 90% confidence level and a 10% margin of error, both of which are acceptable in social science research. The number of respondents selected for the study are presented below as follow;

Management Team:

N = 15

15                      15                      15

$$n = \frac{108}{1 + 0.15 + 0.15} = 52$$

Senior and Junior Staff:

$$N = 108$$

$$n = \frac{108}{1 + 0.15 + 0.15} = 52$$

The sample of the study is sixty four (65). This comprises of 13 management members and 52 senior and junior staff.

The study employs purposive sampling technique in selection the management members. The respondents were selected for this study based on their in-depth knowledge of the subject under investigation and they are in a position be to provide valid and reliable data. The study further employs simple random sampling technique in selecting the senior and junior employees of SIC.

### 3.4 Data Collection Method

Burns and Grove (2010) describes data collection as the methodical gathering of pertinent information regarding the sub-problems in a study using predetermined criteria which includes interviews, participant observations, focus groups, case studies, and narratives. A questionnaire was designed to solicit feedback from the procurement heads and officers. The questionnaire included both open-ended and close-ended questions. The questionnaire's questions about ICS and financial performance, in particular, were taken directly from research by Nutakor (2016) and Mwende (2017). Risk assessment, control environment, control activities, information and communication, and monitoring activities were the five key sub-criteria for internal controls. The evaluations were done using a 5-point Likert scale. The respondents were asked to rate the

degree of progress in the financial performance measurement items. These structures complied with Ghana's internal control framework and performance standards. The study used a questionnaire as its data collection tool. Part "A" and part "B" of questionnaires are the two categories into which they fall. Part "A" asks questions based on the respondents' demographics, whereas Part "B" asks questions based on the study's specific goals.

### **3.5 Data Analysis**

This section presented the methodology that was useful for testing the examined variables and for data analysis. The researcher organized the data using the excel programme to help operationalize the study variables. SPSS software version 21 was used to analyse the compiled data. The study's findings were explained using the mean score, standard deviation, and Pearson Correlation.

### **3.6 Reliability and Validity of Instrument**

Validity and reliability are two important factors to take into account while assessing a certain instrument. According to Liamputtong (2019), a survey administration should consider factors such as the objectives of the study, the target population and available resources that will ensure data validity and reliability. A survey instrument is considered to highly reliable if it can provide accurate and reliable, consistent measurement of unchanging values (Vitiello et al., 2019; Reinhard & Penke (2019).

Prior to the poll, Methodist University conducted a pilot test with procurement officers and procurement heads. This made it easier to examine the questions' relevancy, clarity, and authenticity as well as the items' duplication and missing information. The researcher was also able to get input on the accuracy and suitability of the items in both instruments thanks to the piloting of the instruments. Ten procurement officers participated in the instrument's pilot test.

The Cronbach alpha formulas were used to analyse the procurement officers' replies to the questionnaire's items.

The study will evaluate the validity. According to Murphy et al. (2019), an instrument's validity is determined by how well it captures the specific notion that it is intended to measure. They also contend that in order for an instrument to be valid, it must first be dependable, consistency and reproducibility. Once this has been accomplished, the instrument may then be examined to determine whether it is what it claims to be (Eastwick, Finkel, & Simpson, 2019).

My supervisors' expert judgement was used to determine and enhance the validity of the questionnaire for the study. In this regard, copies of the instruments were provided to my supervisors for them to review and make the appropriate comments as well as adjustments after constructing the questionnaire and the interview guide for the procurement chiefs (Wahyuni, 2012; Oluwatayo, 2012).

This was done to make sure that every goal of the study was sufficiently and completely covered by the items in the instruments. Some of the questionnaire items will be changed based on the experts' corrections and recommendations. In a nutshell, the goal of instrument validation was to find any potential flaws, ambiguities, or issues with the instruments (Oluwatayo, 2012). This made it possible for the researcher to make the required adjustments prior to gathering the data. The researcher looked through more pertinent literature, and that information backed up the instrument's architecture.

### **3.7 Ethical Consideration**

Prior to distributing the surveys, the researcher met with the SIC leadership to introduce herself as a researcher from the KNUST and to outline the goals of the study. The next step was to visit with each participant individually to explain the study's objectives, secure their informed consent, and provide assurances regarding their rights to anonymity, secrecy and privacy. The



researcher reassured them that the interviews were completely intellectual, may be beneficial to them, and would not harm them in any way. The responders had the option to stop participating in the activity at any moment. Last but not least, the study was conducted in accordance with the KNUST code of conduct, and all references including books, articles, data, and documents—that were used or read were duly acknowledged.



## CHAPTER FOUR

### RESULT AND DISCUSSION

#### 4.0 Demographic Characteristics

Out of a total of 65 respondents, 42 were male, and 23 were female (as shown in Table 4.1).

According to a recent survey conducted among SIC Life employees, the majority of those who participated fell within the age bracket of 31 to 40 years, constituting 55% of the total respondents. This suggests that SIC Life boasts a relatively youthful workforce, which could bode well for the company's future growth prospects.

Another noteworthy discovery from the survey is that most respondents held only high school diplomas. This signifies that SIC Life employs a well-educated workforce, which can be advantageous for the company's success. Employees with higher levels of education tend to be more innovative and possess better problem-solving skills.

The survey also reveals that the majority of respondents had been working at SIC Life for a minimum of fifteen years. This is a substantial proportion, indicating that SIC Life maintains a relatively stable workforce. Longer-tenured employees tend to exhibit higher levels of commitment and loyalty, which can positively impact the company's overall performance.

Additionally, it's important to highlight that the years of service data implies that a significant number of employees have been with SIC Life for more than two years, providing them with ample time to become acquainted with the company's internal control system. This is significant because ICS play a crucial role in ensuring the accuracy of financial reporting and preventing instances of fraud.

**Table 4. 1: Sex Distribution of the Respondent**

SEX	FREQUENCY	PERCENTAGE (%)
MALE	42	64.6
FEMALE	23	35.4
TOTAL	65	100

Source: Field Survey

**Table 4. 2: Age distribution of the Respondents**

AGE	FREQUENCY	PERCENTAGE (%)
Below 30 years	20	30.8
31-40 years	33	50.8
41-50 years	5	7.7
51 years and Above	7	10.8
TOTAL	65	100

Source: Field Survey, 2023

**Table 4. 3: Educational Qualification of the respondent**

QUALIFICATION	FREQUENCY	PERCENTAGE (%)
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<b>DIPLOMA</b>	14	21.5
<b>DEGREE</b>	27	41.5
<b>MASTERS</b>	20	30.8
<b>PROFESSIONAL</b>	4	6.2
<b>TOTAL</b>	65	100

Source: Field Survey

**Table 4. 4: Distribution of number of years of service of respondents**

<b>NUMBER OF YEARS</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
<b>1 - 4 YEARS</b>	18	27.7
<b>5 – 9 YEARS</b>	18	27.7
<b>10 – 14 YEARS</b>	10	15.4
<b>15 YEARS AND ABOVE</b>	19	29.2
<b>TOTAL</b>	65	100

Source: Field Survey



#### 4.1 Existence of Internal Control System in SIC Life Insurance Company

To fulfill the study's goals, the researcher inquired with the participants about the existence of an internal control system within SIC Life Insurance Company Limited and assessed the level of effectiveness of this internal control system.

**Table 4. 5: Present the results of existence of internal control system in SIC Life Insurance**

Item	Frequency	Percentage (%)
Yes	59	90.8
No	1	1.5
Uncertain	5	7.7
Total	65	100

Source: Field Survey 2023

The findings presented in Table 4.5 serve as valuable insights for assessing the prevalence and endorsement of an internal control system within SIC Life Insurance. Notably, a substantial majority, consisting of 59 individuals or 90.8% of the total 65 respondents, affirmed the presence of an internal control system at SIC Life Insurance. This illustrates the company's firm commitment to establishing and maintaining effective safeguards for its operations.

In contrast, only one respondent, equivalent to 1.5%, indicated that SIC Life Insurance lacked an internal control system. Although this figure is relatively low, it warrants the company's attention, prompting a need for further investigation and enhancement of its control framework.

Surprisingly, a mere 7.7% of participants, which translates to five respondents, expressed uncertainty regarding the existence of an internal control system. This uncertainty might stem

from a lack of awareness or familiarity with the company's control structure. To address these concerns, SIC Life Insurance should prioritize transparent communication and comprehensive training to ensure that all employees have a clear understanding of the internal control system.

The outcomes of this survey underscore the paramount importance of SIC Life Insurance maintaining a robust internal control system. Such a system plays a pivotal role in risk mitigation, regulatory compliance, and safeguarding the company's assets. It serves as a cornerstone for instilling confidence in the company's operational integrity and financial reporting.

The findings from this survey underscore the critical importance of SIC Life Insurance maintaining a robust internal control system. This system plays a pivotal role in risk mitigation, ensuring adherence to regulatory standards, and safeguarding the company's assets. It fosters confidence in the company's operational integrity and financial reporting, which is especially vital in the insurance industry, where trust and reliability are paramount. By upholding effective controls, SIC Life Insurance can showcase its dedication to ethical conduct, transparency, and accountability.

It's essential to acknowledge that these survey results capture a specific moment in time and may not accurately reflect the current status of SIC Life Insurance's internal control system. Regular assessments and evaluations are imperative to ensure the ongoing effectiveness of these controls and to address any emerging risks or vulnerabilities.

Lastly, the majority of respondents in a recent survey confirmed the existence of an internal control system at SIC Life Insurance. This discovery underscores the company's commitment to maintaining a robust control environment. Nevertheless, SIC Life Insurance must proactively address any uncertainties and continually assess and enhance its internal control system to ensure it remains effective in mitigating risks and fostering trust among stakeholders.

## 4.2 Effectiveness of Internal Control System

In the insurance sector, the efficiency of an internal control system holds immense significance. It serves as a safeguard, ensuring that the organization functions securely and optimally, thereby safeguarding the interests of both the company and its policyholders. SIC Life Insurance, a prominent entity in the insurance industry, fully recognizes the critical role played by an effective internal control system. This section of the survey is dedicated to assessing the system's effectiveness within the organization.

The primary aim of the survey was to collect data pertaining to the varying degrees of effectiveness exhibited by SIC Life Insurance's internal control system. A total of 65 responses were gathered, enabling a comprehensive exploration of the organization's internal control practices. The results illuminate both the strengths and weaknesses of the system.

Survey participants were tasked with rating the effectiveness of the internal control system on a scale ranging from "Very Ineffective" to "Very Effective." As per the findings, a substantial majority of respondents expressed confidence in the system, with 53.8% rating it as "Effective" and 23.1% rating it as "Very Effective." This underscores that a significant portion of SIC Life Insurance's workforce holds faith in the effectiveness of the organization's internal control measures.

Nonetheless, it's essential to take note that a small fraction of survey participants expressed reservations regarding the system's effectiveness. Specifically, 7.7% considered it "Very Ineffective," while 1.5% labeled it as "Ineffective." Moreover, 12.3% of respondents harbored doubts about the system's efficiency. These responses underscore the significance of conducting further assessments and enhancing specific aspects to address these concerns, thereby fortifying the internal control framework.

SIC Life Insurance acknowledges the importance of tackling these issues and remains dedicated to continually enhancing its ICS. The company recognizes that an efficient internal control system not only minimizes risks but also nurtures trust among various stakeholders, including policyholders, regulatory bodies, and investors.

#### **4.3. The Condition of Internal Control Systems (ICS) of the SIC Life Insurance Company**

The focal aspect of this component of the internal control system primarily revolves around the organizational culture instilled by top management. This culture is molded and perpetuated by the leadership approach, principles, ideologies, integrity, ethical standards, and similar factors. All things being equal, the more robust and favorable these elements are, the stronger the control environment becomes, as highlighted by the Treadway Commission Committee of Sponsoring Organizations in 1992.





**Table 4. 6: The Mean Score, Standard error, and Standard Deviation for individual items of condition ICS**

The condition of ICS	Mean		Standard Deviation	
	Statistics	Std Error	Statistics	
Availability of internal control policy and practice	4.05	.104	.837	
Level of importance attached to internal control system	4.18	.090	.700	
Prevailing internal control environment	4.12	.092	.740	
Information and communication of ICS	4.20	.090	.775	
Risk assessment procedures	3.90	1.21	.975	
Internal control activities	4.31	.090	.727	
Willingness of management to monitor internal controls	4.08	.096	.777	
Availability of qualified staff to implement the control systems	4.28	.071	.073	

**Source: Field Survey, 2023**

ICS constitute a pivotal element within an organization's operations. Their primary purpose is to safeguard the organization's assets, ensure precise financial reporting, and guarantee compliance with relevant laws and regulations. The condition of an organization's ICS plays a pivotal role in gauging the efficacy of its internal controls. Table 4.7 displays the mean scores, standard errors, and standard deviations for individual aspects of the internal control system's state.

The objective of this study was to assess the state of ICS at SIC Life Insurance Company in Ghana. Survey participants were requested to rate the state of the company's ICS on a scale of 1 to 5, where 1 signifies strong disagreement and 5 indicates strong agreement. Mean scores, standard errors, and standard deviations were computed for each aspect based on the responses.

The initial aspect under consideration was the presence of internal control policies and procedures. The mean score for this aspect was 4.05, with a standard error of 0.104 and a standard deviation of 0.837. These statistics imply that a majority of surveyed employees believe the company has well-established policies and practices in place.

Internal control policies and practices encompass the methods, protocols, and systems adopted by a company to ensure that its operations align with relevant laws, regulations, as well as internal policies and standards. Examples of such controls include the segregation of duties, access controls, and regular monitoring and reporting, as noted by Rezaee in 2002 (p. 212). These internal controls hold exceptional significance, particularly within the financial services sector. Insurance firms, in particular, face various risks, including fraud, errors, and mismanagement, all of which can result in severe financial and reputational repercussions. Consequently, robust internal controls are indispensable for upholding the accuracy, dependability, and transparency of financial statements, as emphasized by Amissah in 2017.

In the context of Ghana, the National Insurance Commission (NIC) oversees and regulates insurance companies, necessitating the implementation of sufficient internal controls. The NIC has established guidelines and standards regarding internal controls that businesses must adhere to. Given the favorable evaluation of SIC Life Insurance Company's internal controls, it appears that the company complies with these regulations and is committed to maintaining high governance standards. The positive assessment of SIC Life Insurance Company's internal controls signifies a solid foundation in this domain. However, the company must persist in overseeing and enhancing its internal controls to mitigate risks and ensure compliance with regulatory requirements. By doing so, SIC Life Insurance Company can sustain its reputation in Ghana as a dependable and trustworthy insurance provider.

The researcher also examined the significance of ICS (ICS) within SIC Life Insurance. The mean rating for this aspect stood at 4.18, accompanied by a standard error of 0.090 and a standard deviation of 0.70. This observation underscores that employees at SIC Life Insurance Company in Ghana have a clear understanding of the importance of ICS in achieving their objectives. ICS holds global significance, being essential to regulators and standard-setting bodies worldwide. For instance, the International Auditing and Assurance Standards Board (IAASB) has formulated a set of standards enabling auditors to assess the effectiveness of ICS. These standards emphasize the importance of comprehending the organization's objectives, recognizing risks, and devising controls to mitigate those risks.

The mean score achieved was 4.20, accompanied by a standard deviation of 0.775 and a standard error of 0.090. This indicates that SIC Life Insurance Company in Ghana has wellfunctioning information and communication processes in place to support the establishment and maintenance of ICS. Amankwah's research in 2017 identifies a connection between an organization's information and communication systems and its ICS. Consequently,

he recommended that all companies reinforce the components of their ICS. This is of significance because the ICS significantly influences a company's profitability and long-term viability. The control system provides a reasonable assurance that the company can achieve its vision, mission, and strategic objectives.

The evaluation also considered the adequacy of risk assessment procedures in safeguarding SIC Life Insurance. The collective average score from all respondents stood at 3.90, with a standard error of 1.21 and a standard deviation of 0.975. This suggests that SIC Life Insurance Company in Ghana should enhance their risk assessment procedures to ensure the proper identification and management of risks. According to Amissah in 2017, businesses should implement policies for mitigating risks and effectively manage those that are identified. Findings by Njeri in 2014 indicated that management in Kenyan manufacturing firms had mechanisms in place to mitigate recognized risks, reinforcing these observations.

Additionally, the evaluation encompassed an assessment of internal control activities. The average score recorded was 4.31, with a standard deviation of 0.727 and a standard error of 0.090. This highlights that SIC Life Insurance Company has implemented effective internal control activities in alignment with their objectives. The 2019 annual report and financial statement of SIC Life Insurance Company corroborate this discovery, affirming that the company has instituted numerous measures to ensure its effective operation.

Beyond regulatory mandates, businesses have pragmatic reasons to establish effective ICS. Companies equipped with robust ICS, for instance, are more likely to attract investors and maintain a favorable market reputation. They are also better equipped to confront unforeseen events like cyber-attacks or natural disasters.

Additionally, the researcher evaluated the current internal control (IC) environment at SIC Life Insurance Company. The mean score obtained was 4.12, accompanied by a standard error of



0.092 and a standard deviation of 0.740, based on respondents' input. This indicates that the IC environment within SIC Life Insurance Company in Ghana is conducive to the implementation and maintenance of ICS. It suggests that procedures were in place to facilitate employees in fulfilling their responsibilities. This finding aligns with Kheir's assertion in 2018 that integrity and ethics serve as behavioral standards guiding employees in their duties. The researcher also assessed the information and communication capabilities of the ICSs.

Next, the researcher assessed management's willingness to oversee internal controls. The mean score for this aspect was 4.08, along with a standard error of 0.096 and a standard deviation of 0.777. This indicates that management is receptive to appraising the efficacy of internal controls. A subsequent study by Mensah and Agyapong in 2018, focusing on the insurance industry in Ghana and examining factors impacting internal control effectiveness, highlighted the pivotal role of management commitment and support in ensuring the efficacy of internal controls. The researchers underscored the importance of active management monitoring and evaluation of internal controls to pinpoint potential gaps or weaknesses. This reinforces the conclusion that SIC Life Insurance's management proactively ensures effectiveness by monitoring internal controls.

Furthermore, the researcher evaluated the presence of qualified personnel for implementing control systems to determine whether SIC Life Insurance possesses the requisite expertise to implement their internal control system. The mean rating stood at 4.28, with a standard deviation of 0.073 and a standard error of 0.071. This signifies that SIC Life Insurance Company has adequately qualified personnel to effectively institute and maintain ICS. This finding aligns with previous research. According to Agyemang and Osei-Tutu in 2018, the majority of Ghanaian insurance companies possess the necessary qualified personnel for implementing ICS. Additionally, Amoako and Duah in 2019 found that financial sector firms,

including insurance companies, have made investments in human resource development to ensure their employees are qualified to work in the financial sector.

Internal Audit (IA) plays a critical role in ensuring the effectiveness of a company's ICS. IA is responsible for assessing the sufficiency and effectiveness of the organization's internal controls, risk management processes, and governance practices. Through regular audits and evaluations, the internal audit team identifies weaknesses and areas for improvement within the ICS. They provide guidance to management on addressing these issues and ensuring that corrective actions are taken.

IA also contributes to the implementation of laws, regulations, and industry standards, which is crucial for preserving the company's reputation and avoiding potential legal and financial liabilities.

The primary objective of this study is to investigate the role of internal audit within SIC Life Insurance Company's ICS in Ghana. The researcher distributed a questionnaire to 65 SIC Life Insurance Company employees, requesting their input based on their experiences with the company.

#### **4.4 The Role of Internal Audit (IA) in the Internal Control System (ICS)**

In the financial and insurance sectors, ICS hold paramount importance in ensuring transparency, accountability, and risk evaluation. Internal audit constitutes a vital component of these systems as it aids in evaluating the effectiveness of internal controls and identifying areas for enhancement. The survey results are summarized in the table below.

**Table 4. 7: Mean scores, standard errors, and standard deviations for individual items of the role of IA in the ICS if SIC Life Insurance Company**

Role of IA in the ICS	Mean	Standard	
		Deviation	
	Statistics	Std Error	Statistics
Perform auditing work according to internal auditing standards significantly	4.14	0.072	0.583
Comply with professional standards is the most important contributor	4.22	0.086	0.696
Evaluate the level of efficiency of ICS	4.22	0.099	0.800
The functions of IA ensure financial transparency & accountability	4.28	0.118	0.947
Our transactions are properly recorded	4.23	0.097	0.786
Internal audit ensure effective assessment risk	4.00	0.105	0.848
Internal audit ensure audit recommendations are implemented successfully	4.13	0.072	0.577
We always conduct audits in order to obtain reasonable assurance.	4.17	0.099	0.802

Source: Field Survey 2023

Table 4.8 presents the mean ratings, standard errors, and standard deviations for individual factors related to the role of internal audit within the company's ICS. The mean score for each item in the table exceeds 4, indicating a general consensus among respondents that internal audit holds a crucial role within the company's ICS.

The study's objective is to assess whether SIC Life Insurance Company's internal audit adheres to the requisite standards as part of its internal control framework. Respondents were queried about the company's adherence to internal auditing standards in their auditing practices. The average rating for this statement was 4.14, with a standard deviation of 0.583 and a standard error of 0.072. This signifies that respondents endorse the idea that internal audit should adhere to established standards to ensure the accuracy and reliability of their work. Additionally, respondents agreed that the company conducts comprehensive audits. The existence of an internal auditing system enhances customer trust in the company, elevating its credibility. Companies in the industry are more likely to gain client trust due to their commitment to integrity and ethical values. This research supports the assertion made by Offei, Asante, and Andoh-Owusu in 2020 that companies that prioritize integrity and ethics are considerably more likely to earn public trust.

The researcher examined the role of internal auditing in ensuring the effectiveness of the internal control system at SIC Life Insurance Company. Compliance with professional standards emerged as the most significant factor, and it contributes significantly to the assurance of an effective internal control system. Respondents' feedback yielded an average rating of 4.22, accompanied by a standard error of 0.086 and a standard deviation of 0.696. This item underscores the paramount importance of adhering to professional standards to ensure the efficacy of internal audit. A study conducted by Musah in 2018 concurs with the recent findings, asserting that compliance with professional standards is positively correlated



with the effectiveness of internal audit in Ghanaian organizations. Agyei-Mensah's research in 2016 also revealed that adherence to professional standards enhances the quality of internal audit within the Ghanaian banking sector.

The respondents were asked to evaluate the impact of internal audit on the efficiency of SIC Life Insurance Company's internal control system, and the results, depicted in Table 4.8, reveal an average score of 4.22, with a standard error of 0.099 and a standard deviation of 0.800. This signifies that respondents believe internal audit has played a role in assessing the effectiveness of the company's ICS. This finding aligns with prior research. According to Agbenyo, Jiang, and Cobblah in 2018, internal audit plays a vital role in enhancing the efficiency and effectiveness of an organization's ICS. Alzeban and Gwilliam's research in 2014 also highlights that internal auditing aids in identifying weaknesses in ICS and offers recommendations for improvement.

The researcher conducted this study to gain deeper insights into the role of internal audit within SIC Life Insurance's internal control system. One of the statements presented to respondents centered on the responsibilities of internal auditors in ensuring financial transparency and accountability. This statement received a mean score of 4.28, with a standard deviation of 0.947 and a standard error of 0.118, underscoring the significance of internal audit in fostering these aspects within the organization. This observation is consistent with findings from various studies emphasizing the critical role of internal audit in enhancing financial transparency and accountability. Salameh's research in 2019 examined the impact of internal audit on the quality of financial reporting in Ghanaian banks and found a connection between having an effective internal audit function and achieving financial transparency. Aikins, Mensah, and A. KumiKyereme's study in 2022 investigated the role of internal audit in Ghanaian corporate

governance and found that internal auditors played a pivotal role in ensuring accountability and transparency in financial reporting, thereby enhancing corporate governance practices.

The respondent was asked if internal audit, as part of SIC Life Insurance Company's internal control system, ensures that proper records are kept by staff. The statement was "Our transactions are properly recorded," and the respondents' mean score was 4.23, with a standard error of 0.097 and a standard deviation of 0.786. This implies that internal audit should ensure that all transactions are accurately recorded and in accordance with established procedures. This finding is consistent with previous research findings. Internal audit, for example, had a positive impact on the quality of financial reporting in Ghanaian firms, according to AgyeiMensah (2016). Likewise, Owusu-Ansah and Leventis (2006) discovered that internal auditing improved the effectiveness of Ghanaian ICS.

The following statement was given to the respondent, "Internal audit ensure effective risk assessment," with a mean score of 4.00, a standard error of 0.105, and a standard deviation of 0.848. This highlights the importance of risk assessment in ICS and the role of internal audit in ensuring effective assessment. Internal audit, according to Aksoy and Mohammed (2020), is critical in risk management in Ghanaian banks. The study emphasized the importance of risk assessment and the need for internal audits to ensure that risks are effectively identified and managed.

Similarly, Cheng et al. (2021) discovered that effective risk management is critical for the success of Ghana's SMEs. The importance of internal audits in assisting SMEs in identifying and managing risks was emphasized in the study, as was the importance of SMEs developing effective risk management strategies. Other studies in Ghana have focused on specific industries, such as mining. Effective risk management, according to Amoatey et al. (2017), is critical for the success of mining companies in Ghana. The study emphasized the importance

of mining companies proactively managing risk, as well as the critical role that internal audit can play in this process.

The studies emphasise the importance of risk assessment in ICS, as well as internal audit's critical role in ensuring effective risk assessment and management. As a result, Ghanaian businesses and organisations should priorities risk management and implement effective internal audit processes to effectively manage risks.

Respondents believe that internal audit should play a critical role in ensuring that their recommendations for improving ICS are successfully implemented. The mean score for this statement was 4.13, with a standard error of 0.072 and a standard deviation of 0.577, according to the survey, which was conducted among SIC Life Insurance Ghana employees. This finding is consistent with previous Ghanaian studies that highlighted the significance of internal audit in ensuring the effectiveness of ICS. Internal audit, for example, was discovered by Agyei-Mensah et al. (2016) to be critical in identifying weaknesses in ICS and making recommendations for improvement. The study also discovered that organisations with strong ICS had effective internal audit functions. Internal audit, according to Adomako et al. (2019), can help improve the quality of financial reporting in organisations. The study found that organisations with effective internal audit functions were more likely to have accurate and reliable financial statements, which can help to boost stakeholder confidence and support. "We always perform audits to obtain reasonable assurance," was the final statement presented to the study's respondents, with a mean score of 4.17, a standard error of 0.099, and a standard deviation of 0.802. This implies that respondents believe internal audit should always perform audits in order to obtain reasonable assurance about the effectiveness of ICS.

Internal auditing is an important function that helps organisations assess and improve the effectiveness of their ICS. The primary goal of internal audit is to provide reasonable assurance



that the organization's risk management, control, and governance processes are operating properly. In one study, Tamimi (2021) investigated the role of internal audit in improving corporate governance in Ghanaian banks. Internal audit, according to the study, is critical in ensuring that banks' risk management and control processes are effective. According to the study, banks should invest in their internal audit functions to improve their ability to identify and mitigate risks. Amoako et al. (2023) looked into the effect of internal audit on financial performance in Ghanaian firms. Firms with effective internal audit functions outperform those without, according to the study's findings. Companies should invest in internal audit functions, according to the study, to improve their effectiveness in identifying and mitigating risks. These studies support respondents' belief that internal audits should always be performed in order to obtain reasonable assurance about the effectiveness of ICS. Internal audit, according to the findings, plays an important role in improving corporate governance and financial performance in Ghanaian organisations.

Overall, the results of the field survey show that respondents believe internal audit is important in the ICS of SIC Life Insurance Company. Professional standards compliance, financial transparency and accountability, and ensuring proper transaction recording all received exceptionally high mean scores, indicating their importance in effective ICS.

It should be noted that these findings are specific to the SIC Life Insurance Company and may not be applicable to other businesses or industries. They do, however, provide valuable insights into the role of internal audit in promoting effective ICS and can serve as a springboard for further research and analysis in this area.

#### **4.5. The Control and Compliance Measures of ICS of the SIC Life Insurance**

ICS at SIC Life Insurance Company are intended to safeguard the accuracy and reliability of financial reporting, protect company assets, and ensure compliance with applicable laws and



regulations. Controls and compliance measures are extensive, and they include policies, procedures, and processes that are regularly reviewed and updated to address changing risks and business needs. The organisation has established a strong control environment with clear lines of responsibility and accountability, as well as a culture of ethical and integrity behaviour. Internal audits are conducted on a regular basis to assess control effectiveness and identify areas for improvement. Furthermore, in order to mitigate potential risks and ensure business continuity, the company has implemented a number of risk management strategies.

**Table 4. 8: Mean Score, Standard error, and Standard Deviation for individual Items of the control and Compliance measure of ICS of SIC life Company**

Controls and compliance measures of ICS	Mean		Standard
	Statistics	Std. error	Deviation
We ensure compliance with organizational policies	4.26	0.106	0.853
We ensure compliance with laws and regulations	4.18	0.100	0.808
Protection against waste, fraud, and inefficiency	4.26	0.091	0.735
There is process compliance	4.05	0.099	0.799
We reduce organisational risk	4.06	0.107	0.864
Reporting accuracy and consistency across business units and departments	3.98	0.111	0.893
There is consistent information and communication	3.98	0.102	0.820
Documented evidence of compliance or non-compliance for internal audit	3.92	0.108	0.872

There is effective segregation of duties	4.02	0.089	0.718
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Source: Field Survey, 2023

To ensure compliance with organisational policies, laws, and regulations, as well as protection against waste, fraud, and inefficiency, SIC Life Insurance Company maintains a strong internal control system. In table 4.9 above, the survey results revealed mean scores, standard errors, and standard deviations for individual items of the controls and compliance measures.

The SIC Life Insurance Company has been identified as a company that places a high value on policy compliance, according to the findings of a recent study. The average score of 4.26 and standard error of 0.106 indicate that this company takes compliance seriously, and understanding why is critical. Amankwah-Amoah and Debrah (2018) findings are in conformity with the insight of this study, in their study, regulatory compliance is a key driver of performance in the insurance industry. According to the study, companies that are in compliance with regulations perform better financially than those that are not. Another study, Ntiamoah et al. (2019), discovered that compliance is essential for building customer trust. According to the study, customers are more likely to trust insurance companies that follow regulations, which can lead to increased customer satisfaction and loyalty.

Furthermore, compliance is critical for insurance companies' reputations. According to a study conducted by Ofori-Dua et al. (2017), noncompliance can result in reputational damage that is difficult to repair. According to the study, customers are less likely to do business with companies that have a bad reputation, which can hurt the company's bottom line. Insurance companies in Ghana must follow a variety of regulations and standards to ensure compliance. The National Insurance Commission (NIC) is in charge of regulating the insurance industry and ensuring that businesses follow the rules. The NIC has created a set of guidelines and

standards that businesses must follow, such as capital requirements, solvency margins, and risk management.

A mean score of 4.26 and a standard error of 0.091 show that the company prioritizes waste, fraud, and inefficiency prevention. A mean score of 4.26 and a standard error of 0.091 demonstrate the company's commitment to preventing waste, fraud, and inefficiency. This emphasis on preventing waste and ensuring transparency is critical for the long-term growth and success of any organisation. Several studies in Ghana have been conducted to support the importance of addressing these issues, and these findings are consistent.

In one study, Owusu-Ansah and Amponsah (2017) investigated the impact of fraud on the financial performance of Ghanaian banks. The researchers discovered that fraud had a significant impact on these banks' profitability and efficiency. The importance of organisations prioritizing fraud prevention measures is emphasized in this study because it not only protects their financial resources but also improves overall operational efficiency.

Reduced organisational risk is a critical goal for the SIC Life Insurance Company, as evidenced by a mean score of 4.06 and a standard error of 0.107. This priority aligns with the company's commitment to the long-term stability and viability of its operations in Ghana's insurance industry. Consider studies conducted in Ghana that shed light on the importance of risk reduction in organisational settings to delve deeper into this topic. Adu-Gyamfi and OwusuFrimpong (2018) conducted a study titled "Organisational Risk Management Practises in the Ghanaian Insurance Industry" to investigate the risk management practises employed by insurance companies in Ghana. The researchers discovered that firms with strong risk management frameworks were more financially stable and resilient. These findings emphasise the importance of risk management for SIC Life Insurance Company in order to protect its financial position and ensure long-term success. Furthermore, Boateng and Asare (2019)

investigated the relationship between risk management and organisational performance in Ghana's insurance sector in their study titled "The Impact of Risk Management on Organisational Performance: Evidence from the Ghanaian Insurance Industry." The researchers discovered a link between effective risk management and improved financial performance.

#### **4.6 The Effect ICS on Performance of the SIC Life Insurance Company.**

The current complexity of business environment, the relevance of IC cannot be overstated. IC help organisations conform through appropriate laws and regulations, protect assets, and prevent fraud. There has been a lot of research done on the impact of internal controls on organisational performance. Table 4.10 summarizes the findings of the study on the impact of ICS on the performance of the SIC Life Insurance Company. The study's goal was to evaluate the impact of ICS on various aspects of organisational performance. The survey inquired about the control environment, regulatory compliance, financial statement preparation, information system use, and monitoring activities.

Item related to the impact of ICS on performance. The mean scores range from 3.58 to 4.15, indicating that ICS improve organisational performance for the vast majority of respondents. The standard errors range from 0.069 to 0.163, indicating that the sample size was large enough to provide reliable estimates.



**Table 4. 9: Mean Score, Standard errors, and Standard Deviation for individual items of the effect ICS on performance of SIC Life Insurance Company.**

Effect of ICS on performance	Mean	Standard Deviation	
	Statistics	Std Error	Statistics
The control environment creates the ability to settle payables on time	3.58	0.158	1.273
The control environment ensures the adherence to financial laws	4.15	0.094	0.755
The control environment produces financial transparency & accountability	4.14	0.069	0.556
We execute transactions in compliance with applicable regulations	4.08	0.101	0.816
We ensure the preparation of reliable financial statements	4.06	0.093	0.747
We use information systems to collect data about our stock	4.05	0.111	0.89
Our systems help us to analyze all financial transactions	4.05	0.106	0.856

Our monitoring activities always make SIC is able to settle payables on time	3.72	0.163	1.317
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Source: Field Survey, 2023.

The first statement asked by the researcher as presented as first item in the table is about the control environment and its impact on timely payment of payables. The mean score for this item is 3.58, indicating that respondents agreed that the control environment facilitates timely payment of payables. This item's standard deviation is 1.273, indicating that there was a wide range of responses. The findings on the control environment in the SIC Life Insurance Company and its impact on timely payment of payables are consistent with the findings of Tackie (2022), who discovered that a strong control environment positively affects the financial performance of insurance companies in Ghana. This is because a strong control environment promotes accountability, transparency, and regulatory compliance, all of which are required for timely payment of payables.

The second point is about the ICS in SIC Life Insurance Company and its impact on compliance with financial laws in Ghana. The mean score for this item is 4.15, indicating that respondents strongly agreed that the control environment ensures financial law adherence. This item's standard deviation is 0.755, indicating that there was some variation in responses. The significance of ICSs in ensuring financial law compliance has been extensively researched in academic literature. For example, Agyemang et al. (2019) investigated the NGO accountability: retrospective and prospective academic contributions. Companies with strong ICS were found to be more likely to comply with financial regulations than those with weak control systems, according to the study. This is due to the fact that a strong control environment improves the company's ability to detect and prevent financial misconduct, lowering the risk of noncompliance.

The third statement was about the control environment and how it affects financial transparency and accountability. This item's mean score is 4.14 with the standard deviation of 0.556, indicating that respondents strongly agreed that the control environment produces financial transparency and accountability. According to research, a positive control environment is critical for achieving financial transparency and accountability. An Abdullah and Tursoy, (2021) study, for example, discovered that companies with strong control environments had fewer financial restatements and material weaknesses in their financial reporting. The study also discovered that these businesses had higher financial performance and lower cost of capital.

The fourth statement concerns compliance with applicable regulations in SIC Life insurance Company. Respondents agreed that transactions are carried out in accordance with applicable regulations, as indicated by a mean score of 4.08. Given Ghana's insurance industry's stringent regulatory environment, this result is not surprising.

The National Insurance Commission (NIC) is Ghana's regulatory body in charge of overseeing the insurance industry. The NIC is responsible for ensuring that insurance companies follow the Insurance Act of 2006 (Act 724) and other relevant regulations. The Act establishes a framework for insurance company licensing, supervision, and regulation in Ghana. It also establishes minimum capital requirements for insurance companies in order to ensure their financial stability. The NIC has licensed SIC Life Insurance Company, one of Ghana's leading insurance companies. SIC Life Insurance Company, as a licensed insurance company, is required to follow all applicable regulations. Failure to comply with these regulations may result in penalties, fines, or even license revocation.

SIC Life Insurance Company has demonstrated its commitment to regulatory compliance through a variety of initiatives. For example, the company has implemented a rigorous

compliance programme to ensure that all applicable laws and regulations are followed. Regular compliance training for employees is part of the programme, as is the appointment of a compliance officer in charge of ensuring compliance with all regulatory requirements.

The fifth statement concerned the preparation of reliable financial statements. This item's mean score is 4.06, with a standard deviation of 0.747, revealing that respondents agreed on the preparation of reliable financial statements. Coleman and Wu (2022) discovered this revelation while researching effect of corporate governance on financial reporting quality. From their findings, there is an optimistic connection between corporate governance and business reporting quality, implying that firms with strong governance structures are more likely to produce reliable financial statements. Nomlala and Baldavoo (2019). The study also discovered that audit quality, board independence, and financial expertise were important determinants of financial reporting quality.

The use of information systems to collect stock data was the sixth statement. Respondents' mean score for this was 4.05, with a standard deviation of 0.89, indicating that respondents agreed that ICS help those stock data by collection using information systems. A critical aspect of Ghana's ICS has been identified as the use of information systems for stock data collection. This finding is supported by the findings of an investigation conducted by Osei-Tutu et al. (2018) into the impact of ICS on the financial performance of Ghanaian SMEs. The study discovered that the use of data collection and analysis information systems was positively related to the financial performance of SMEs.

The seventh statement considered by the researcher was the impact of ICS on how to analyse financial transactions in Ghana's SIC Life Company. The respondents' results had a mean score of 4.05 and a standard deviation of 0.856, indicating that respondents agreed that ICS assist the company in effectively analyzing all financial transactions. Respondents agreed that ICS are



useful in analyzing financial transactions, according to this finding. This finding agrees with previous research.

Dewi and colleagues (2019) investigated the impact of ICS on financial performance in Ghanaian banks. The study discovered that ICSs improve financial performance. According to the authors, ICSs help to prevent errors and fraud, ensure regulatory compliance, and improve decision-making.

Monitoring activities and their impact on timely payment of payables was the final statement used to understand the effect of the internal control system on the performance of SIC Life Insurance Company. The mean score for this item was 3.72, indicating that respondents agreed that as a result of monitoring activities, SIC is always able to settle payables on time. This discovery also confirmed the effectiveness of SIC Life Company's internal control system in enhancing the company's performance. The investigation into the impact of ICS on the performance of Ghana's SIC Life Insurance Company yielded intriguing results. Respondents agreed that due to effective monitoring activities in the final statement used to gauge the impact of monitoring activities on timely payments to clients, SIC was always able to settle payables on time. This finding is supported by Asare and Ofori (2016)'s study on the effectiveness of ICS in the Ghanaian banking industry. ICS, according to their research, play a significant role in improving the performance of Ghanaian banks. Effective monitoring activities, according to the study, are critical in ensuring that banks can detect and prevent fraudulent activities, errors, and omissions that could harm their performance. According to the authors, monitoring activities provide feedback on the effectiveness of ICS, allowing management to take corrective action as needed.

Finally, the study's findings suggest that ICS improve organisational performance. The control environment, in particular, has a significant impact on payables payment, compliance with

financial laws, and financial transparency and accountability. Compliance with applicable regulations and the preparation of reliable financial statements are also examples of internal controls that contribute to organisational performance. Finally, information systems and monitoring activities are critical for ensuring regulatory compliance and timely payment of payables.

#### 4.6 Relationship of ICS on the Performance of SIC Life Insurance Company

Pearson Correlation is a statistical metric for evaluating the linear relationship between two continuous variables. It calculates the degree to which the variables are related and returns a numerical value between -1 and 1, with -1 indicating perfect negative correlation, 0 indicating no correlation, and 1 indicating perfect positive correlation. This was used by the researcher to further analyse the impact of the internal control system on the performance of the SIC Life Insurance Company. Table (4.11) displays the correlation coefficient and P-Value values that show how correlated internal control components and operational performance are.

**Table 4. 10: Correlation between Independent Factors and Performance SIC Life Insurance Company**

<b>Independent Factor</b>	<b>Correlation Coefficient</b>	<b>P-Value</b>
<b>Condition of ICS</b>	.518**	.000
<b>Internal audit in the ICS</b>	.550**	.000
<b>Controls and compliance measures of ICS</b>	.707**	.000

\*\* . Correlation is significant at the 0.01 level (two-tailed)

Dependent Factor: Performance of SIC Life Insurance

Source: Field Survey, 2023

The use of correlation analysis to determine the relationship between two variables is an effective method. It can help managers understand the factors that influence their companies' performance in the context of the insurance industry. In this section, we will examine the relationship between independent factors such as the state of ICS, internal audit in ICS, internal control system controls and compliance measures, and SIC Life Insurance Company's performance.

The findings show a strong positive relationship between these independent factors and SIC Life Insurance performance. Internal control system condition has a correlation coefficient of 0.518, internal audit in ICS has a correlation coefficient of 0.550, and internal control system controls and compliance measures have a correlation coefficient of 0.707. All of these correlation coefficients are significant at the 0.01 level (two-tailed).

The condition of ICS refers to the overall health of the company's internal control mechanisms. It considers factors such as the availability of internal control policies and practices, the importance placed on the internal control system, the current internal control environment, the information and communication of ICS, risk assessment procedures, internal control activities, management's willingness to monitor internal controls, and the availability of qualified personnel to implement control systems. According to the study's findings, SIC Life Insurance performs better when its ICS are in better shape.

The process of reviewing and evaluating the effectiveness of internal controls in ICS is known as internal auditing. A higher level of internal audit, according to our findings, is associated with better SIC Life Insurance performance. This suggests that managers can benefit from regular reviews and evaluations of internal controls in identifying flaws and implementing corrective measures.

The strategies and measures positioned to ensure compliance with regulatory requirements and industry standards are referred to as internal control system controls and compliance measures.

A higher level of controls and compliance measures, according to the findings, is associated with better SIC Life Insurance performance. This implies that a strong emphasis on compliance can assist businesses in maintaining their reputation while avoiding legal and financial risk.

The findings are consistent with what Thiha, (2023) discovered in his study of the effect of ICS on the operational performance of pro1 global co., ltd. According to the findings of the study, control activities have a strong correlation with, and a significant influence on, operational performance. Furthermore, control activities have the highest overall mean score. Employees believe that establishing and implementing control activities will help the operation run more efficiently. The activities of control have a significant and positive impact on operational performance.

Control configuration includes manual and automated control, preventative and detective control at various organisational levels. Control activities, on the other hand, cannot alone improve operational performance. Staff competency, review procedures, and duty separation are also valued (Thiha, 2023).



## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.0 Introduction**

In the chapter, the researcher begins with the summary of the objectives of the study, methodology, and data analysis procedure. The chapter also contain research findings, recommendation and suggested area for further studies.

#### **5.1 Summary**

The focus of the study was to access the effect of ICS on the performance SIC Life Insurance Company, Ghana. The first objective was to evaluate the SIC Life Insurance Company's ICS. The next objective set by the researcher was to investigate the role of IA in the ICS of SIC Life Company. The third objective was to investigate the ICS of SIC Life Insurance Company Control and Compliance measures. The last objective was to access the effect of the ICS on the performance of the SIC Life Insurance Company, Ghana.

The study employed quantitative research to investigate the effect of ICS on the performance of Ghana's SIC Life Insurance Company. The study employed a descriptive quantitative design to gain a better understanding of the impact of leadership on organisational performance. The study's sample size was 65 company employees, and non-probability sampling techniques like purposive and convenience sampling were used. A semi-structured questionnaire was used to collect primary data, and secondary data was gathered from published books, journals, and online sources. For biographical data, the data was transcribed, coded, and analysed using

Statistical Product and Service Solutions (SPSS), and for qualitative data, thematic analysis was used.

The first goal was to evaluate the state of the SIC Life Insurance Company's internal control system. The following are the main issues that emerged:

- The study found that 90.8% of participants confirmed the presence of an internal control system. However, a small number of respondents expressed reservations, and one said there was no control system.
- The majority of respondents rated the system as effective, with 53.8% rating it as Very Effective and 23.1% rating it as Effective. However, 7.7% of respondents thought it was Very Ineffective, and 1.5% thought it was Ineffective. Furthermore, 12.3% were skeptical of its efficacy, highlighting the need for further evaluation and improvement in specific areas. Overall, the findings of the study show that the SIC Life Insurance Company in Ghana has an effective Internal Control System.
- According to the findings, the company has well-established policies and practices in place, demonstrating its commitment to effective risk management measures. Employees recognized the value of ICS, and the company has a positive internal control environment with effective information and communication processes.

The second objective investigated the role of internal audit on ICS, with the following key findings:

- All mean scores were greater than 4, indicating that respondents agreed that internal audit is critical for the company's ICS. The study's findings indicate that following established professional standards is critical for ensuring the accuracy and

dependability of internal audit work. Respondents believed that the company performs extensive auditing, which enhances its credibility and fosters customer trust.

- All mean scores exceeded 4, indicating that respondents agreed that internal audit is critical for the company's ICS. According to the study's findings, adhering to established professional standards is critical for ensuring the accuracy and dependability of internal audit work. Respondents believed the company conducts extensive auditing, which boosts its credibility and fosters customer trust.
- The study looked at how internal auditing affected the effectiveness of SIC Life Insurance Company's ICS. Internal audit received a mean score of 4.22 from respondents, indicating that they believe it has positively influenced the company's ICS. Internal auditing is essential for identifying flaws in ICS and recommending improvements. The standard deviation of 0.800 and standard error of 0.099 indicate that the results are reliable.
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- Internal auditors, according to the study's findings, play a critical role in ensuring financial transparency and accountability within the organisation. The response statement received a mean score of 4.28, indicating the importance of internal audit in promoting these aspects.

- Internal auditors, according to the study's findings, play a critical role in ensuring financial transparency and accountability within organisations. The respondents gave the statement a mean score of 4.28, indicating the importance of internal audit in promoting these aspects.
- The role of internal audit in ensuring proper records and effective risk assessment in the internal control system of SIC Life Insurance Company. The average respondent score for the statement "Our transactions are properly recorded" was 4.23, indicating that accurate transaction recording is ensured by internal audit.
- Similarly, the mean score for the statement "Internal audit ensure effective assessment risk" was 4.00, emphasizing the importance of risk assessment in ICS as well as internal audit's role in ensuring effective assessment. Several studies have emphasized the importance of risk management and the importance of internal audits in identifying and managing risks.

The third objective investigated the controls and compliance measures of the SIC Life Insurance Company's ICS, and the main findings were as follows:

- The study found that SIC Life Insurance Company places a high value on policy compliance. Compliance is taken seriously by the company, as evidenced by a mean score of 4.26 and a standard error of 0.106. Several studies have been conducted to highlight the importance of compliance in the insurance industry.
- The company prioritizes waste, fraud, and inefficiency prevention. This is demonstrated by a mean score of 4.26 and a standard error of 0.091. Their dedication to this endeavor is admirable and necessary for long-term growth and success. Transparency is essential for achieving this goal, and the company's emphasis on it is admirable. The company is



prioritizing waste prevention and ensuring transparency in order to ensure its continued success.

- As evidenced by their mean score of 4.06 and standard error of 0.107, the SIC Life Insurance Company places a high value on reducing organisational risk. This strategic goal aligns with the company's commitment to ensuring the long-term stability and sustainability of Ghana's insurance industry. By prioritizing risk reduction, SIC Life Insurance demonstrates its commitment to protecting its operations and improving overall performance.

The final objectives investigated the impact of ICS on the performance of the SIC Life Insurance Company, and the main findings were as follows:

- Respondents agreed that the control environment facilitates timely payment of payables, with a median score of 3.58. The wide range of responses, as indicated by the standard deviation of 1.273, suggests that different perspectives on the subject may exist.
- According to respondents, the control environment, as evidenced by a mean score of 4.15, ensures adherence to financial laws. However, there was some variation in responses, as indicated by a standard deviation of 0.755.
- Respondents strongly agreed that the control environment has a positive impact on financial transparency and accountability, with a mean score of 4.14 and a standard deviation of 0.556. The survey also discovered that the company's transactions adhere to applicable regulations, as evidenced by a mean score of 4.08.

- With a mean score of 4.06 and a standard deviation of 0.747, respondents agreed that reliable financial statements are important. Furthermore, the use of information systems for stock data collection has been identified as a critical component of Ghana's ICS.

With a mean score of 4.05 and a standard deviation of 0.89, respondents agreed that ICS help those stock data by collection using information systems.

- The study discovered a significant positive relationship between the performances of SIC Life Insurance and the state of its ICS, internal audit, and compliance measures.

The correlation coefficients for each factor were significant at the 0.01 level (two-tailed). A number of factors influence the overall health of internal control mechanisms, including policies and practices, risk assessment procedures, and management's willingness to monitor internal controls. A better state of ICS, according to the findings, is associated with better performance. Internal auditing is a useful process for reviewing and evaluating the effectiveness of internal controls, and the study found that a higher level of internal audit is associated with better performance.

## 5.2 Conclusion

The following conclusions are drawn from the study's findings. The company has an effective internal control system for Objective One. The company has well-established policies and practices in place, demonstrating its commitment to effective risk management measures. Employees understand the importance of ICS (ICSs), and the company maintains an effective internal control environment with efficient information and communication systems. The findings show that SIC Life Insurance Company has a strong internal control system, which is critical to the company's long-term success.

Concerning Objective 2, the study found that internal audit improves the efficiency of a company's ICS by identifying flaws and making recommendations for improvement. Internal auditors play an important role in ensuring financial transparency and accountability, as well

as promoting proper record keeping and risk assessment. The importance of risk management and internal audits in effectively identifying and managing risks were also highlighted. Overall, the study emphasizes the importance of internal audit in maintaining a strong internal control system in an organisation.

In terms of the study's third objective, SIC Life Insurance Company prioritizes policy compliance. This shows the company's dedication to compliance. According to the study's findings, the company is also committed to preventing waste, fraud, and inefficiency. This commitment is admirable and necessary for the company's long-term growth and success. This strategic goal is consistent with the company's commitment to ensuring Ghana's insurance industry's stability and long-term viability. By prioritizing risk reduction, SIC Life Insurance demonstrates its commitment to securing its operations and improving overall performance.

The last objective of the study also revealed that, control environment makes timely payment of payables possible. Respondents strongly agreed that the control environment promotes financial transparency and accountability by ensuring adherence to financial laws. According to the survey, the company's transactions were carried out in accordance with applicable regulations. Respondents also emphasized the importance of reliable financial statements. The research found a significant positive relationship between SIC Life Insurance's performance and the state of its ICS, internal audit, and compliance measures. Internal auditing is an effective method for assessing the effectiveness of internal controls, and more internal auditing is associated with better performance.

### **5.3 Recommendation**

Based on the study's findings, several recommendations can be made to SIC Life Insurance Company. To begin, the company should priorities it internal control system, which was found in the study to be effective and critical to its long-term success. This includes maintaining

wellestablished policies and practices, effective information and communication processes, and ensuring that employees understand the significance of ICS.

Second, the study highlights the importance of internal audit in improving the effectiveness of a company's ICS. As a result, SIC Life Insurance Company should continue to invest in its internal audit function, ensuring that it is adequately resourced and empowered to identify flaws and make recommendations for improvement. Third, the study discovered that SIC Life Insurance Company places a premium on policy compliance as well as the prevention of waste, fraud, and inefficiency. To build on this commitment, the organisation should priorities risk reduction and ensure that all employees understand the importance of compliance.

Finally, the study emphasizes the importance of a robust control environment in fostering financial transparency and accountability. SIC Life Insurance Company should prioritize timely payables and ensure that all transactions are carried out in accordance with applicable regulations. Furthermore, the company should place a premium on producing reliable financial statements that accurately reflect its performance.

Overall, the findings of the study indicate that SIC Life Insurance Company is on the right track in terms of its ICS, internal audit function, compliance measures, and control environment. By concentrating its efforts in these areas in the future, the company will be able to ensure its long-term growth and success in Ghana's insurance industry.

#### **5.4 Area for Further Research**

This study has brought to light for other researchers to look into the impact of performance on the ICS of Insurance Company in Ghana. This will contribute to existing knowledge and provide more insight to managers of insurance companies in Ghana.



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## **APPENDIX**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI**

### **QUESTIONNAIRE**

Dear Respondent,

I am a student of the above university and currently undertaking a study that seeks to examine the effect of internal control systems on performance of SIC Life insurance Company in Ghana.

To help attain this objective, I humbly request you to provide relevant and objective responses



to the items on this questionnaire. Note that your answers would be treated in strict confidence and used for academic purpose only.

Thank you.

### Section A: Demographic Data of Respondent

Please tick answers as applicable to you

1. Gender of Respondent?    a. Male (   )    b. Female (   )
2. Age of Respondent? a. Less than 30 years (   ) b. between 31 – 40 years (   ) c. between 41 – 50 years (   ) d. More than 50 (   )
3. Educational qualification of Respondent?  
a. Diploma (   ) b. Degree (   ) c. Masters (   ) d. Professional (   )
4. Does the SIC have internal control system in place?  
a. Yes (   ) b. No (   ) c. Uncertain (   )
5. If yes, how effective is the internal control unit?  
a. Very Ineffective (   ) b. Ineffective (   ) c. Uncertain (   ) d. Effective (   ) e. Very Effective (   )
6. How long have you been working with the SIC?  
a. Less than 4 year (   ) b. between 5 – 9 years (   ) c. between 10 – 14 years (   ) d. More than 15 years (   )

# KNUST

## Section B: Specific Objectives

**Instructions:** Please respond to the following statements by circling or ticking the answer that most accurately represents your opinion concerning your experience using the following scale:

1	2	3	4	5
Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree

	The condition of internal control systems	1	2	3	4	5
1.	Availability of internal control police and practice					

2.	Level of importance attached to internal control system					
3.	Prevailing internal control environment					
4.	Information and communication of internal control systems					
5.	Risk assessment procedures					
6.	Internal control activities					
7.	Willingness of management to monitor internal controls					
8.	Availability of qualified staff to implement the control systems					

	<b>Role of internal audit in the internal control systems</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	Perform auditing work according to internal auditing standards significantly					
2.	Comply with professional standards is the most important contributor					
3.	Evaluate the level of efficiency of internal control system					

4.	The functions of internal auditors ensure financial transparency & accountability					
5.	Our transactions are properly recorded					
6.	Internal audit ensure effective assessment risk					
7.	Internal audit ensure audit recommendations are implemented successfully					
8.	We always perform audits to obtain reasonable assurance					

	<b>Controls and compliance measures of internal control systems</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	We ensure compliance with organizational policies					
2.	We ensure compliance with laws and regulations					
3.	Protection against waste, fraud, and inefficiency					



4.	There is process compliance					
5.	We reduce organisational risk					
6.	Reporting accuracy and consistency across business units and departments					
7.	There is consistent information and communication					
8.	Documented evidence of compliance or non-compliance for internal audit					
9.	There is effective segregation of duties					

	<b>Effect of internal control systems on performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	The control environment creates the ability to settle payables on time					
2.	The control environment ensures the adherence to financial laws					
3.	The control environment produces financial transparency & accountability					

4.	We execute transactions in compliance with applicable regulations					
5.	We ensure the preparation of reliable financial statements					
6.	We use information systems to collect data about our stock					
7.	Our systems help us to analyse all financial transactions					
8.	Our monitoring activities always make SIC is able to settle payables on time					

